UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

(Mark One)

☒ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the fiscal year ended December 31, 2014

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the transition period from to
Commission file number 1-3619

PFIZER INC.

(Exact name of registrant as specified in its charter)

Delaware	**13-5315170**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification Number)**
235 East 42nd Street New York, New York (Address of principal executive offices)	**10017-5755 (Zip Code)**

(212) 733-2323
(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	**Name of each exchange on which registered**
Common Stock, $.05 par value	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act:
None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☒ No ☐

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ☐ No ☒

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232-405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files.) Yes ☒ No ☐

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer ☒ Accelerated filer ☐ Non-accelerated filer ☐ Smaller reporting company ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

The aggregate market value of the voting stock held by non-affiliates of the registrant, computed by reference to the closing price as of the last business day of the registrant's most recently completed second fiscal quarter, June 27, 2014, was approximately $188 billion. The registrant has no non-voting common stock.

The number of shares outstanding of the registrant's common stock as of February 20, 2015 was 6,128,855,392 shares of common stock, all of one class.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the 2014 Annual Report to Shareholders	Parts I, II and IV
Portions of the Proxy Statement for the 2015 Annual Meeting of Shareholders	Part III

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PART I

ITEM 1. BUSINESS

General

Pfizer Inc. is a research-based, global biopharmaceutical company. We apply science and our global resources to bring therapies to people that extend and significantly improve their lives through the discovery, development and manufacture of healthcare products. Our global portfolio includes medicines and vaccines, as well as many of the world's best-known consumer healthcare products. We work across developed and emerging markets to advance wellness, prevention, treatments and cures that challenge the most feared diseases of our time. We collaborate with healthcare providers, governments and local communities to support and expand access to reliable, affordable healthcare around the world. Our revenues are derived from the sale of our products, and, to a much lesser extent, from alliance agreements, under which we co-promote products discovered by other companies (Alliance revenues). The majority of our revenues come from the manufacture and sale of biopharmaceutical products.

The Company was incorporated under the laws of the State of Delaware on June 2, 1942. Unless the context requires otherwise, references to "Pfizer," "the Company," "we," "us" or "our" in this Annual Report on Form 10-K for the fiscal year ended December 31, 2014 (2014 Form 10-K) refer to Pfizer Inc. and its subsidiaries. References to developed markets in this 2014 Form 10-K include the United States (U.S.), Western Europe, Japan, Canada, Australia, Scandinavia, South Korea, Finland and New Zealand; and references to emerging markets in this 2014 Form 10-K include the rest of the world, including, among other countries, China, Brazil, Mexico, Russia, India and Turkey.

On February 5, 2015, we announced that we have entered into a definitive merger agreement under which we agreed to acquire Hospira, Inc. (Hospira), the world's leading provider of injectable drugs and infusion technologies and a global leader in biosimilars, for $90 per share in cash, for a total enterprise value of approximately $17 billion. The transaction is subject to customary closing conditions, including regulatory approvals in several jurisdictions and the approval of Hospira's shareholders, and is expected to close in the second half of 2015.

On June 24, 2013, we completed the full disposition of our Animal Health business. For additional information, see the Notes to Consolidated Financial Statements—*Note 2D. Acquisitions, Licensing Agreements, Collaborative Arrangements, Divestitures and Equity-Method Investments: Divestitures* in our 2014 Financial Report (as defined below).

On November 30, 2012, we completed the sale of our Nutrition business to Nestlé for $11.85 billion in cash. For additional information, see the Notes to Consolidated Financial Statements—*Note 2D. Acquisitions, Licensing Agreements, Collaborative Arrangements, Divestitures and Equity-Method Investments: Divestitures* in our 2014 Financial Report.

For a further discussion of our strategy and our business development initiatives, see the *Overview of Our Performance, Operating Environment, Strategy and Outlook—Our Strategy* and *—Our Business Development Initiatives* sections in our 2014 Financial Report.

Our businesses are heavily regulated in most of the countries in which we operate. In the U.S., the principal authority regulating our operations is the U.S. Food and Drug Administration (FDA). The FDA regulates the safety and efficacy of the products we offer and our research, quality, manufacturing processes, product promotion, advertising and product labeling. Similar regulations exist in most other countries, and in many countries the government also regulates our prices. See *Government Regulation and Price Constraints* below.

Pfizer Website

This 2014 Form 10-K, our Quarterly Reports on Form 10-Q and Current Reports on Form 8-K, and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended (Exchange Act), are available (free of charge) on our website (*www.pfizer.com*), in text format and, where applicable, in interactive data file format, as soon as reasonably practicable after we electronically file such material with, or furnish it to, the Securities and Exchange Commission (SEC).

Throughout this 2014 Form 10-K, we "incorporate by reference" certain information from other documents filed or to be filed with the SEC, including our Proxy Statement for the 2015 Annual Meeting of Shareholders (2015 Proxy Statement) and the 2014 Financial Report, portions of which are filed as Exhibit 13 to this 2014 Form 10-K, and which also will be contained in Appendix A to our 2015 Proxy Statement (2014 Financial Report). The SEC allows us to disclose important information by

referring to it in that manner. Please refer to such information. Our 2014 Annual Report to Shareholders consists of the 2014 Financial Report and the Corporate and Shareholder Information attached to the 2015 Proxy Statement. Our 2014 Financial Report will be available on our website (*www.pfizer.com*) on or about February 27, 2015. Our 2015 Proxy Statement will be available on our website (*www.pfizer.com*) on or about March 12, 2015.

We use our website (*www.pfizer.com*) as a means of disclosing material non-public information and for complying with our disclosure obligations under Regulation Fair Disclosure promulgated by the SEC. These disclosures are included on our website (*www.pfizer.com*) in the "Investors" or "News" sections. Accordingly, investors should monitor these portions of our website (*www.pfizer.com*), in addition to following Pfizer's press releases, SEC filings and public conference calls and webcasts.

Information relating to corporate governance at Pfizer, including our Corporate Governance Principles; Director Qualification Standards; Pfizer Policies on Business Conduct (for all of our employees, including our Chief Executive Officer, Chief Financial Officer and Principal Accounting Officer); Code of Business Conduct and Ethics for Members of the Board of Directors; information concerning our Directors; ways to communicate by e-mail with our Directors; Board Committees; Committee Charters; Charter of the Lead Independent Director; and transactions in Pfizer securities by Directors and Officers; as well as Chief Executive Officer and Chief Financial Officer certifications, are available on our website (*www.pfizer.com*). We will provide any of the foregoing information without charge upon written request to our Corporate Secretary, Pfizer Inc., 235 East 42nd Street, New York, NY 10017-5755. Information relating to shareholder services, including the Computershare Investment Program, book-entry share ownership and direct deposit of dividends, is also available on our website (*www.pfizer.com*).

The information contained on our website does not, and shall not be deemed to, constitute a part of this 2014 Form 10-K. Pfizer's references to the URLs for websites are intended to be inactive textual references only.

Commercial Operations

At the beginning of our fiscal year 2014, we began managing our commercial operations through a new global commercial structure consisting of two distinct businesses: an Innovative Products business and an Established Products business. The Innovative Products business is composed of two operating segments: the Global Innovative Pharmaceutical segment (GIP) and the Global Vaccines, Oncology and Consumer Healthcare segment (VOC). The Established Products business consists of the Global Established Pharmaceutical segment (GEP). Each operating segment is led by a single manager and has responsibility for its commercial activities and for certain in-process research and development (IPR&D) projects for new investigational products and additional indications for in-line products that generally have achieved proof of concept. Each business has a geographic footprint across developed and emerging markets.

Some additional information about each product grouping follows:

Innovative Products Business:

- Global Innovative Pharmaceutical segment—GIP is focused on developing, registering and commercializing novel, value-creating medicines that significantly improve patients' lives. These therapeutic areas include inflammation, cardiovascular/metabolic, neuroscience and pain, rare diseases and women's/men's health and include leading brands, such as *Xeljanz*, *Eliquis* and *Lyrica* (U.S. and Japan). GIP has a pipeline of medicines in inflammation, cardiovascular/metabolic disease, neuroscience and pain, and rare diseases.

- Global Vaccines, Oncology and Consumer Healthcare segment—VOC focuses on the development and commercialization of vaccines and products for oncology and consumer healthcare. Consumer Healthcare manufactures and markets several well known, over-the-counter (OTC) products. Each of the three businesses in VOC operates as a separate, global business, with distinct specialization in terms of the science and market approach necessary to deliver value to consumers and patients.

Established Products Business:

- Global Established Pharmaceutical segment—GEP includes the brands that have lost market exclusivity and, generally, the mature, patent-protected products that are expected to lose exclusivity through 2015 in most major markets and, to a much smaller extent, generic pharmaceuticals. Additionally, GEP includes our sterile injectable products and biosimilar development portfolio.

We expect that the GIP and VOC biopharmaceutical portfolios of innovative, largely patent-protected, in-line products will be sustained by ongoing investments to develop promising assets and targeted business development in areas of focus to ensure a pipeline of highly-differentiated product candidates in areas of unmet medical need. The assets managed by these groups are science-driven, highly differentiated and generally require a high-level of engagement with healthcare providers and consumers.

GEP is expected to generate strong consistent cash flow by providing patients around the world with access to effective, lower-cost, high-value treatments. GEP leverages our biologic development, regulatory and manufacturing expertise to seek to advance its biosimilar development portfolio. In addition, GEP may also engage in targeted business development to further enable its commercial strategies.

For a further discussion of these operating segments, including prior-period information that has been conformed to the current commercial structure, as well as comparative segment information for 2014, 2013 and 2012, see the Notes to Consolidated Financial Statements—*Note 18. Segment, Geographic and Other Revenue Information*, including the tables therein captioned *Selected Income Statement Information*, *Geographic Information* and *Significant Product Revenues*, the table captioned *Revenues by Segment and Geographic Area* and the *Analysis of Operating Segment Information* section in our 2014 Financial Report, which are incorporated by reference.

Biopharmaceutical Products

In 2014, our biopharmaceutical business was managed through GIP, GEP and the vaccines and oncology businesses of VOC, which are discussed under *Commercial Operations* above.

For a discussion of certain of our key biopharmaceutical products, including *Lyrica*, the *Prevnar* family of products, *Enbrel*, *Celebrex*, *Lipitor*, *Viagra*, *Zyvox*, *Sutent*, *Norvasc*, the *Premarin* family of products, *Eliquis* and *Xeljanz*, see the *Analysis of the Consolidated Statements of Income—Biopharmaceutical—Selected Product Descriptions* section in our 2014 Financial Report.

We have entered into collaboration and/or co-promotion agreements relating to certain biopharmaceutical products, including *Aricept*, *Enbrel* (in the U.S. and Canada), *Spiriva* and *Rebif*, each of which has expired or will expire in various markets over the next several years. For additional information, including a description of these collaboration and co-promotion agreements and their expiration dates, see the *Analysis of the Consolidated Statements of Income—Biopharmaceutical—Selected Product Descriptions* and the *Overview of Our Performance, Operating Environment, Strategy and Outlook—Our Operating Environment—Industry-Specific Challenges—Intellectual Property Rights and Collaboration/Licensing Rights* sections in our 2014 Financial Report and *Item 1A. Risk Factors—Dependence on Key In-Line Products* below.

In addition, *Eliquis* was developed and is being commercialized in collaboration with Bristol-Myers Squibb Company (BMS). For additional information, see the *Analysis of the Consolidated Statements of Income—Biopharmaceutical—Selected Product Descriptions* section in our 2014 Financial Report.

Revenues from biopharmaceutical products contributed approximately 92% of our total revenues in 2014, 93% of our total revenues in 2013, and 94% of our total revenues in 2012.

We recorded direct product sales of more than $1 billion for each of 10 biopharmaceutical products in 2014, 2013 and 2012. These products represented 54% of our revenues from biopharmaceutical products in 2014, 51% of our revenues from biopharmaceutical products in 2013 and 50% of our revenues from biopharmaceutical products in 2012. See *Item 1A. Risk Factors—Dependence on Key In-Line Products* below.

Worldwide revenues from biopharmaceutical products in 2014 were $45.7 billion, a decrease of 5% compared to 2013, reflecting a decrease in operational revenues of 3% and the unfavorable impact of foreign exchange of 2%.

Geographically, in the U.S., revenues from biopharmaceutical products decreased 8% in 2014, compared to 2013. In our international markets, revenues from biopharmaceutical products decreased 3% in 2014, compared to 2013, which primarily reflects the unfavorable impact of foreign exchange. During 2014, international revenues from biopharmaceutical products represented 62% of total revenues from biopharmaceutical products, compared to 61% in 2013.

For additional information, including a discussion of key operational revenue drivers, see the *Analysis of the Consolidated Statements of Income—Biopharmaceutical Revenues—Revenues—Major Biopharmaceutical Products* and *—Biopharmaceutical—Selected Product Descriptions* sections in our 2014 Financial Report.

Consumer Healthcare

Based on 2014 revenues, our Consumer Healthcare business is the fifth-largest branded multi-national, OTC, healthcare products business in the world and produces two of the ten largest selling consumer healthcare brands (*Centrum* and *Advil*) in the world. Consumer Healthcare revenues totaled $3.4 billion for 2014, an increase of 3% compared to 2013, reflecting operational revenue growth of 5%, partially offset by the unfavorable impact of foreign exchange of 2%.

The Consumer Healthcare business holds strong positions in various geographic markets, with its highest revenue volume in the U.S., China, Canada, Germany, Italy and Brazil.

Major categories and product lines in our Consumer Healthcare business include:

- Dietary Supplements: *Centrum* brands (including *Centrum*, *Centrum Silver*, *Centrum Men's* and *Women's*, *Centrum Specialist*, *Centrum Flavor Burst*, and *Centrum Kids*), *Caltrate*, and *Emergen-C*;
- Pain Management: *Advil* brands (including *Advil*, *Advil PM*, *Advil Liqui-Gels*, *Advil Film Coated*, *Children's Advil*, *Infants' Advil* and *Advil Migraine)*, and *ThermaCare*;
- Gastrointestinal: *Nexium 24HR/Nexium Control*;
- Respiratory: *Robitussin*, *Advil Cold & Sinus*, *Advil Congestion Relief*, and *Dimetapp*; and
- Personal Care: *ChapStick* and *Preparation H.*

In August 2012, we entered into an agreement with AstraZeneca PLC (AstraZeneca) for the exclusive, global, OTC rights for *Nexium*, a leading prescription drug currently approved to treat the symptoms of gastroesophageal reflux disease. In December 2011, we completed our acquisition of the consumer healthcare business of Ferrosan, a Danish company engaged in the sale of science-based consumer healthcare products, including dietary supplements and lifestyle products, primarily in the Nordic region and the emerging markets of Russia and Central and Eastern Europe. For additional information, see the Notes to Consolidated Financial Statements—*Note 2A. Acquisitions, Licensing Agreements, Collaborative Arrangements, Divestitures, and Equity-Method Investments: Acquisitions* and —*Note 2B. Acquisitions, Licensing Agreements, Collaborative Arrangements, Divestitures, and Equity-Method Investments: Licensing Agreements* in our 2014 Financial Report and the *Overview of Our Performance, Operating Environment, Strategy and Outlook—Our Business Development Initiatives* section in our 2014 Financial Report.

For additional information regarding the revenues of our Consumer Healthcare business, see the Notes to Consolidated Financial Statements—*Note 18. Segment, Geographic and Other Revenue Information* and the *Analysis of Operating Segment Information—Global Vaccines, Oncology and Consumer Healthcare Operating Segment* section in our 2014 Financial Report.

Research and Development

Innovation by our research and development (R&D) operations is very important to our success. Our goal is to discover, develop and bring to market innovative products that address major unmet medical needs. We spent $8.4 billion in 2014, $6.7 billion in 2013 and $7.5 billion in 2012 on R&D.

Biopharmaceutical R&D

We conduct research internally and also through contracts with third parties, through collaborations with universities and biotechnology companies and in cooperation with other pharmaceutical firms. We also seek out promising chemical and biological lead molecules and innovative technologies developed by third parties to incorporate into our discovery and development processes or projects, as well as our product lines, through collaborations, alliance and license agreements, acquisitions and other arrangements.

Drug discovery and development is time-consuming, expensive and unpredictable. According to the Pharmaceutical Benchmarking Forum, out of 30 compounds entering preclinical development, only one is approved by a regulatory authority in a major market (U.S., the European Union (EU) or Japan). The process from early discovery or design to development to regulatory approval can take more than 10 years. Drug candidates can fail at any stage of the process, and candidates may not receive regulatory approval even after many years of research.

As of year-end 2014, we had 298 projects in R&D, ranging from discovery through registration, of which 86 programs are in Phase 1 through registration, with the remainder of the projects in pre-clinical development. At year-end 2014, our Phase 3 portfolio contained 23 programs. Development of a single compound is often pursued as part of multiple programs. While these new candidates may or may not eventually receive regulatory approval, new drug candidates entering clinical development phases are the foundation for future products.

In addition to discovering and developing new products, our R&D operations seek to add value to our existing products by improving their effectiveness, enhancing ease of dosing and by discovering new indications for them.

Information concerning several of our drug candidates in development, as well as supplemental filings for existing products, is set forth in the *Analysis of the Consolidated Statements of Income—Product Developments—Biopharmaceutical* section in our 2014 Financial Report, which is incorporated by reference.

Our competitors also devote substantial funds and resources to R&D. We also compete against numerous small biotechnology companies in developing potential drug candidates. The extent to which our competitors are successful in their research could result in erosion of the sales of our existing products and potential sales of products in development, as well as unanticipated product obsolescence. See *Item 1A. Risk Factors—Competitive Products* below.

We continue to strengthen our global R&D organization and pursue strategies intended to improve innovation and overall productivity in R&D to achieve a sustainable pipeline that will deliver value in the near term and over time. Our R&D priorities include delivering a pipeline of differentiated therapies with the greatest scientific and commercial promise, innovating new capabilities that can position Pfizer for long-term leadership and creating new models for biomedical collaboration that will expedite the pace of innovation and productivity. To that end, our research primarily focuses on six high-priority areas that have a mix of small molecules and large molecules—immunology and inflammation; cardiovascular and metabolic diseases; oncology; vaccines; neuroscience and pain; and rare diseases. Another area of focus is biosimilars.

For additional information regarding our R&D operations, see the *Overview of Our Performance, Operating Environment, Strategy and Outlook—Our Strategy—Research Operations* and *Costs and Expenses—Research and Development (R&D) Expenses—Description of Research and Development Operations* sections in our 2014 Financial Report.

International Operations

We have significant operations outside the U.S. In 2014, for developed and emerging markets, these operations were managed through our three operating segments: GIP, GEP and VOC. A significant change effected by our new structure is the full integration of emerging markets into each business. Emerging markets are an important component of our strategy for global leadership, and our commercial structure recognizes that the demographics and rising economic power of the fastest-growing emerging markets are becoming more closely aligned with the profile found within developed markets. In 2013, our pharmaceutical operations in emerging markets were managed through our former Emerging Markets business unit and our operations in developed markets were managed together with our U.S. operations through our other pharmaceutical business units. Our Consumer Healthcare operations were managed worldwide in 2013. For additional information regarding our operating segments, see the *Overview of Our Performance, Operating Environment, Strategy and Outlook—Our Strategy* section in our 2014 Financial Report and *Commercial Operations* above.

Revenues from operations outside the U.S. of $30.5 billion accounted for 62% of our total revenues in 2014. Revenues exceeded $500 million in each of 13, 12 and 14 countries outside the U.S. in 2014, 2013 and 2012, respectively. The U.S. is our largest national market, comprising 38% of total revenues in 2014 and 39% of total revenues in 2013 and 2012. Japan is our second-largest national market, with approximately 9%, 10% and 12% of total revenues in 2014, 2013 and 2012, respectively.

For a geographic breakdown of revenues, see the table captioned *Geographic Information* in the Notes to Consolidated Financial Statements—*Note 18. Segment, Geographic and Other Revenue Information* in our 2014 Financial Report, and the table captioned *Revenues by Segment and Geographic Area* in our 2014 Financial Report. Those tables are incorporated by reference.

Our international operations are subject, in varying degrees, to a number of risks inherent in carrying on business in other countries. These include, among other things, currency fluctuations, capital and exchange control regulations, expropriation and other restrictive government actions. See *Item 1A. Risk Factors—Risks Affecting International Operations* below. Our international businesses are also subject to government-imposed constraints, including laws and regulations on pricing, reimbursement, and access to our products. See *Government Regulation and Price Constraints—Outside the United States* below for a discussion of these matters.

Depending on the direction of change relative to the U.S. dollar, foreign currency values can increase or decrease the reported dollar value of our net assets and results of operations. While we cannot predict with certainty future changes in foreign exchange rates or the effect they will have on us, we attempt to mitigate their impact through operational means and by using various financial instruments, depending upon market conditions. For additional information, see the Notes to Consolidated Financial Statements—*Note 7E. Financial Instruments: Derivative Financial Instruments and Hedging Activities* in our 2014 Financial Report, as well as the *Forward-Looking Information and Factors That May Affect Future Results—Financial Risk Management* section in our 2014 Financial Report. Those sections of our 2014 Financial Report are incorporated by reference.

Marketing

In our global biopharmaceutical businesses, we promote our products to healthcare providers and patients. Through our marketing organizations, we explain the approved uses, benefits and risks of our products to healthcare providers, such as doctors, nurse practitioners, physician assistants, pharmacists, and the Managed Care Organizations (MCOs) that provide insurance coverage, such as hospitals, Integrated Delivery Systems, Pharmacy Benefit Managers (PBMs), Health Plans, employers and government agencies. We also market directly to consumers in the U.S. through direct-to-consumer advertising that communicates the approved uses, benefits and risks of our products while motivating people to have meaningful conversations with their doctors. In addition, we sponsor general advertising to educate the public on disease awareness, prevention and wellness, important public health issues, and our patient assistance programs.

Our prescription pharmaceutical products are sold principally to wholesalers, but we also sell directly to retailers, hospitals, clinics, government agencies and pharmacies, and, in the case of *Prevnar 13* in the U.S., we primarily sell directly to individual provider offices, the Centers for Disease Control and Prevention and wholesalers. We seek to gain access for our products on healthcare authority and MCO formularies, which are lists of approved medicines available to members of the MCOs. MCOs use various benefit designs, such as tiered co-pays for formulary products, to drive utilization of products in preferred formulary positions. We also work with MCOs to assist them with disease management, patient education and other tools that help their medical treatment routines.

During 2014, Pfizer revenues from our three largest biopharmaceutical wholesalers in the U.S. were as follows:

- McKesson, Inc.—13% of our total revenues (and 34% of our total U.S. revenues);
- Cardinal Health, Inc.—10% of our total revenues (and 27% of our total U.S. revenues); and
- AmerisourceBergen Corporation—9% of our total revenues (and 24% of our total U.S. revenues).

Sales to these wholesalers were concentrated in the biopharmaceutical businesses.

Our global Consumer Healthcare business utilizes its own sales and marketing organizations to promote its products, and occasionally uses distributors in smaller markets. Our Consumer Healthcare business's advertising and promotions are generally disseminated to consumers through television, print, digital and other media advertising, as well as through in-store promotion. Consumer Healthcare products are sold through a wide variety of channels, including distributors, pharmacies, retail chains and grocery and convenience stores. Our Consumer Healthcare business generates a significant portion of its sales from several large customers, the loss of any one of which could have a material adverse effect on the Consumer Healthcare business.

Patents and Other Intellectual Property Rights

Our products are sold around the world under brand-name, logo and certain product design trademarks that we consider, in the aggregate, to be of material importance to Pfizer. Trademark protection continues in some countries for as long as the mark is used and, in other countries, for as long as it is registered. Registrations generally are for fixed, but renewable, terms.

We own or license a number of U.S. and foreign patents. These patents cover pharmaceutical and other products and their uses, pharmaceutical formulations, product manufacturing processes and intermediate chemical compounds used in manufacturing.

Patents for individual products extend for varying periods according to the date of patent filing or grant and the legal term of patents in the various countries where patent protection is obtained. The actual protection afforded by a patent, which can

vary from country to country, depends upon the type of patent, the scope of its coverage and the availability of legal remedies in the country. Further, patent term extension may be available in many major countries to compensate for a regulatory delay in approval of the product. For additional information, see *Government Regulation and Price Constraints—Intellectual Property* below.

In the aggregate, our patent and related rights are of material importance to our businesses in the U.S. and most other countries. Based on current product sales, and considering the vigorous competition with products sold by our competitors, the patent rights we consider most significant in relation to our business as a whole, together with the year in which the basic product patent expires (including, where applicable, the additional six-month pediatric exclusivity period and/or the granted patent term extension), are those for the medicines set forth in the table below. Patent term extensions, supplementary protection certificates and pediatric exclusivity periods are not reflected in the expiration date listed in the table below, unless they have been granted by the issuing authority. In some instances, there are later-expiring patents relating to our products directed to particular forms or compositions, to methods of manufacturing, or to use of the drug in the treatment of particular diseases or conditions. However, in some cases, such patents may not protect our drug from generic or, as applicable, biosimilar competition after the expiration of the basic patent.

Drug	U.S. Basic Product Patent Expiration Year	Major EU Basic Product Patent Expiration Year	Japan Basic Product Patent Expiration Year
Viagra	2012[1]	2013	2013[1]
Enbrel[2]	N/A	2015	2015
Celebrex	2014[3]	2014	2019
Zyvox	2015	2016	2019
Lyrica	2018	2014[4]	2022
Bosulif	2019	2019	2019
Chantix	2020	2021	2022
Inlyta	2020	2025	2025
Xeljanz	2020	N/A[5]	2025
Sutent	2021	2021	2024
Eliquis[6]	2023	2026	2026
Ibrance	2023	N/A[7]	N/A[7]
Prevnar 13/Prevenar 13	2026	2026[8]	2029
Xalkori	2029	2027	2028

[1] In addition to the basic product patent covering *Viagra*, which expired in 2012, *Viagra* is covered by a U.S. method-of-treatment patent which, including the six-month pediatric exclusivity period associated with *Revatio* (which has the same active ingredient as *Viagra*), expires in 2020. However, as a result of a patent litigation settlement, Teva Pharmaceuticals USA, Inc. will be allowed to launch a generic version of *Viagra* in the U.S. in December 2017, or earlier under certain circumstances. The corresponding method-of-treatment patent covering *Viagra* in Japan expired in May 2014.

[2] Pfizer does not market *Enbrel* in the U.S. For additional information, see the *Overview of Our Performance, Operating Environment, Strategy and Outlook—Our Operating Environment—Industry-Specific Challenges—Intellectual Property Rights and Collaboration/Licensing Rights* section in our 2014 Financial Report. In other markets, biosimilar competition will depend, to a significant extent, on the timing and implementation of regulations governing the development and approval of biosimilar products.

[3] We obtained a reissue patent in the U.S. in March 2013 covering the approved uses of *Celebrex*. The reissue patent expires in December 2015. This patent is presently the subject of litigation between Pfizer and several generic companies. In December 2014, generic versions of *Celebrex* became available pursuant to settlement agreements licensing the reissue patent to several of the generic manufacturers involved in the ongoing litigation.

[4] For *Lyrica*, regulatory exclusivity in the EU expired during 2014.

[5] *Xeljanz* is not approved in the EU.

(6) *Eliquis* was developed and is being commercialized in collaboration with BMS.

(7) *Ibrance* is not approved in the EU or Japan.

(8) The EU patent that covers the combination of the 13 serotype conjugates of *Prevenar 13* has been revoked following an opposition proceeding. This first instance decision will be appealed. There are other EU patents and pending applications covering the formulation and various aspects of the manufacturing process of *Prevenar 13* that remain in force.

We co-promote *Aricept* with Eisai. *Aricept* has experienced patent-based expirations in many major markets since 2010. For additional information, including a description of certain of our other co-promotion agreements and their expiration dates, see the *Analysis of the Consolidated Statements of Income—Biopharmaceutical—Selected Product Descriptions* and the *Overview of Our Performance, Operating Environment, Strategy and Outlook—Our Operating Environment—Industry-Specific Challenges—Intellectual Property Rights and Collaboration/Licensing Rights* sections in our 2014 Financial Report and *Item 1A. Risk Factors—Dependence on Key In-Line Products* below.

A number of our current products have experienced patent-based expirations or loss of regulatory exclusivity in certain markets in the last few years. For example, in the U.S., we lost exclusivity for *Geodon* in March 2012, *Revatio* tablet in September 2012, *Rapamune* in January 2014, *Detrol LA* in January 2014 and *Celebrex* in December 2014. Pursuant to terms of a settlement agreement, certain formulations of *Zyvox* became subject to generic competition in the U.S. in January 2015. We expect certain other formulations of *Zyvox* will become subject to generic competition in the U.S. in the first half of 2015. In most major European markets, we lost exclusivity for *Xalatan* and *Xalacom* in January 2012, *Detrol LA* in September 2012, *Viagra* in June 2013, *Inspra* in March 2014, *Lyrica* in July 2014 and *Celebrex* in November 2014. We lost exclusivity for *Lyrica* in Canada in February 2013. *Lipitor* has lost exclusivity in all major markets and now faces multi-source generic competition in the U.S., Europe, Japan and Australia.

For additional information, including a further discussion of our products experiencing, or expected to experience in 2015, patent expirations or loss of regulatory exclusivity in various markets, see the *Overview of Our Performance, Operating Environment, Strategy and Outlook—Our Operating Environment—Industry-Specific Challenges—Intellectual Property Rights and Collaboration/Licensing Rights* section in our 2014 Financial Report.

Companies have filed applications with the FDA seeking approval of products that we believe infringe our patents covering, among other products, *Viagra*, *Celebrex*, *Sutent*, *EpiPen*, *Toviaz* and *Tygacil* extended-release capsules. For additional information, see the Notes to Consolidated Financial Statements—*Note 17A1. Commitments and Contingencies—Legal Proceedings—Patent Litigation* in our 2014 Financial Report.

The expiration of a basic product patent or loss of patent protection resulting from a legal challenge normally results in significant competition from generic products against the originally patented product and can result in a significant reduction in revenues for that product in a very short period of time. In some cases, however, we can continue to obtain commercial benefits from product manufacturing trade secrets; patents on uses for products; patents on processes and intermediates for the economical manufacture of the active ingredients; patents for special formulations of the product or delivery mechanisms; and conversion of the active ingredient to OTC products.

Biotechnology Products

Our biotechnology products, including *BeneFIX*, *ReFacto*, *Xyntha* and *Enbrel* (we market *Enbrel* outside the U.S. and Canada), may face competition in the future from biosimilars (also referred to as follow-on biologics). In the U.S., such biosimilars would reference biotechnology products approved under the U.S. Public Health Service Act. Additionally, the FDA has approved a follow-on recombinant human growth hormone that referenced our biotechnology product, *Genotropin,* which was approved under the U.S. Federal Food, Drug and Cosmetic Act.

Abbreviated legal pathways for the approval of biosimilars exist in certain international markets and, since the passage of the Patient Protection and Affordable Care Act, as amended by the Heath Care and Education Reconciliation Act (commonly referred to as the Affordable Care Act, or ACA), a framework for such approval exists in the U.S. The regulatory implementation of these ACA provisions is ongoing and expected to take several years. However, the FDA has begun to clarify its expectations for approval via the biosimilar pathway with the issuance of a number of draft guidance documents. In 2014, the FDA issued draft guidance on clinical pharmacology for biosimilars and reference product exclusivity for biologic products. Over the next several years, the FDA is expected to finalize these guidance documents and issue additional draft and final

guidance documents. The FDA has also begun to accept biosimilar applications for review. See *Government Regulation and Price Constraints—Biosimilars* below for additional information on the ACA's approval framework for biosimilars.

In Europe, the European Commission has granted marketing authorizations for several biosimilars pursuant to a set of general and product class-specific guidelines for biosimilar approvals issued over the past few years. In 2013, the European Medicines Agency (EMA) approved the first biosimilar of a monoclonal antibody. In Japan, the regulatory authority has granted marketing authorizations for certain biosimilars, including the monoclonal antibody infliximab, pursuant to a guideline for biosimilar approvals issued in 2009.

If competitors are able to obtain marketing approval for biosimilars that reference our biotechnology products, our products may become subject to competition from these biosimilars, with attendant competitive pressure, and price reductions could follow. Expiration or successful challenge of applicable patent rights could trigger this competition, assuming any relevant exclusivity period has expired. However, biosimilar manufacturing is complex and biosimilars are not generic versions of the reference products. Therefore, at least initially upon approval of a biosimilar competitor, biosimilar competition with respect to biologics may not be as significant as generic competition with respect to small molecule drugs.

As part of our business strategy, we are capitalizing on our expertise in biologics manufacturing, as well as our regulatory and commercial strengths, to develop biosimilar medicines. As such, a better-defined biosimilars approval pathway will assist us in pursuing approval of our own biosimilar products in the U.S. See *Item 1A. Risk Factors—Biotechnology Products* below.

We may face more litigation with respect to the validity and/or scope of patents relating to our biotechnology products with substantial revenue. Likewise, as we enter the biosimilars area and seek to launch products, patents may be asserted against us.

International

One of the main limitations on our operations in some countries outside the U.S. is the lack of effective intellectual property protection for our products. Under international and U.S. free trade agreements in recent years, global protection of intellectual property rights has been improving. For additional information, see *Government Regulation and Price Constraints—Intellectual Property* below.

Competition

Our businesses are conducted in intensely competitive and often highly regulated markets. Many of our prescription pharmaceutical products face competition in the form of branded or generic drugs that treat similar diseases or indications. The principal forms of competition include efficacy, safety, ease of use, and cost effectiveness. Though the means of competition vary among product categories and business groups, demonstrating the value of our products is a critical factor for success in all of our principal businesses.

Our competitors include other worldwide research-based biopharmaceutical companies, smaller research companies with more limited therapeutic focus, generic and biosimilar drug manufacturers and consumer healthcare manufacturers. We compete with other companies that manufacture and sell products that treat diseases or indications similar to those treated by our major products.

This competition affects our core product business, which is focused on applying innovative science to discover and market products that satisfy unmet medical needs and provide therapeutic improvements. Our emphasis on innovation is underscored by our multi-billion-dollar investment in R&D, as well as our business development transactions, both designed to result in a strong product pipeline. Our investment in research does not stop with drug approval; we continue to invest in further understanding the value of our products for the conditions they treat, as well as potential new applications. We seek to protect the health and well-being of patients by striving to ensure that medically sound knowledge of the benefits and risks of our medicines is understood and communicated to patients, physicians and global health authorities. We also seek to continually enhance the organizational effectiveness of all of our biopharmaceutical functions, including coordinating support for our salespersons' efforts to accurately and ethically launch and promote our products to our customers.

Operating conditions have become more challenging under the mounting global pressures of competition, industry regulation and cost containment. We continue to take measures to evaluate, adapt and improve our organization and business practices to better meet customer and public needs. We believe that we have taken an industry-leading role in evolving our approaches to U.S. direct-to-consumer advertising; interactions with, and payments to, healthcare professionals; and medical

education grants. We also continue to sponsor programs to address patient affordability and access barriers, as we strive to advance fundamental health system change through support for better healthcare solutions.

Our Consumer Healthcare business faces competition from OTC business units in other major pharmaceutical and consumer packaged goods companies, as well as retailers who carry their own private label brands. Our competitive position is affected by several factors, including, among others, the amount and effectiveness of our and our competitors' promotional resources; customer acceptance; product quality; our and our competitors' introduction of new products, ingredients, claims, dosage forms, or other forms of innovation; and pricing, regulatory and legislative matters (such as product labeling, patient access and prescription to OTC switches).

Our vaccines business may face competition from the introduction of next generation vaccines. For example, Prevnar 13 may face competition in the form of alternative 13-valent or additional valent next-generation pneumococcal conjugate vaccines prior to the expiration of its patents.

Managed Care Organizations

The evolution of managed care in the U.S. has been a major factor in the competitive makeup of the healthcare marketplace. Approximately 281 million people in the U.S. now have some form of health insurance coverage. Due to the expansion of health insurance coverage (see *Government Regulation and Price Constraints—In the United States* below), both the marketing of prescription drugs to consumers and the entities that manage this expanded coverage in the U.S. continue to grow in importance.

The influence of MCOs has increased in recent years due to the growing number of patients receiving coverage through MCOs. At the same time, those organizations have been consolidating into fewer, even larger entities. This consolidation enhances both their ability to negotiate, as well as their importance to Pfizer.

The growth of MCOs has increased pressure on drug prices as well as revenues. One objective of MCOs is to contain and, where possible, reduce healthcare expenditures. MCOs typically negotiate prices with pharmaceutical providers by using formularies (which are lists of approved medicines available to members of the MCOs), clinical protocols (requiring prior authorization for a branded product if a generic product is available or requiring the patient to first fail on one or more generic products before permitting access to a branded medicine), volume purchasing, long-term contracts and their ability to influence volume and market share of prescription drugs. In addition, by placing branded medicines on higher-tier status in their formularies (leading to higher patient co-pays) or non-preferred tier status, MCOs transfer a portion of the cost of the medicine to the patient, resulting in significant out-of-pocket expenses for the patient, especially for chronic treatments. This financial disincentive is a tool for MCOs to manage drug costs and channel patients to medicines preferred by the MCOs.

Due to their generally lower cost, generic medicines typically are placed in lowest cost tiers of MCO formularies. The breadth of the products covered by formularies can vary considerably from one MCO to another, and many formularies include alternative and competitive products for treatment of particular medical problems.

Exclusion of a product from a formulary or other MCO-implemented restrictions can significantly impact drug usage in the MCO patient population. Consequently, pharmaceutical companies compete to gain access to formularies for their products. Unique product features, such as greater efficacy, better patient ease of use, or fewer side effects, are generally beneficial to achieving access to formularies. However, lower overall cost of therapy is also an important factor. We have been generally, although not universally, successful in having our major products included on MCO formularies.

MCOs also emphasize primary and preventive care, out-patient treatment and procedures performed at doctors' offices and clinics as another way to manage costs. Hospitalization and surgery, typically the most expensive forms of treatment, are carefully managed. Since the use of certain drugs can reduce the need for hospitalization, professional therapy, or even surgery, such drugs can become favored first-line treatments for certain diseases.

The ACA has accelerated payment reform by distributing risk across MCOs and other stakeholders in care delivery with the intent of improving quality while reducing costs, which creates pressure on MCOs to tie reimbursement to defined outcomes.

Generic Products

One of the biggest competitive challenges that we face is from generic pharmaceutical manufacturers. Upon the expiration or loss of patent protection for a product, especially a small molecule product, we can lose the major portion of revenues for that product in a very short period of time. Several such competitors make a regular practice of challenging our product patents before their expiration. Unlike us, generic competitors often operate without large R&D expenses, as well as without costs of conveying medical information about products to the medical community. In addition, the FDA approval process exempts generics from costly and time-consuming clinical trials to demonstrate their safety and efficacy, allowing generic manufacturers to rely on the safety and efficacy data of the innovator product. Generic products need only demonstrate a level of availability in the body equivalent to that of the innovator product. This means that generic competitors can market a competing version of our product after the expiration or loss of our patent and often charge much less.

In addition, our patent-protected products can face competition in the form of generic versions of competitors' branded products that lose their market exclusivity.

As noted above, MCOs that focus primarily on the immediate cost of drugs often favor generics over brand-name drugs. Many governments also encourage the use of generics as alternatives to brand-name drugs in their healthcare programs, including Medicaid in the U.S. Laws in the U.S. generally allow, and in some cases require, pharmacists to substitute, for brand-name drugs, generic drugs that have been rated under government procedures to be chemically and therapeutically equivalent to brand-name drugs. In a small subset of states, prescribing physicians are able to expressly prevent such substitution. In the U.S., Pfizer's Greenstone subsidiary and Pfizer Injectables sell generic versions of Pfizer's, as well as certain competitors', solid oral dose and sterile injectable pharmaceutical products, respectively, upon loss of exclusivity, as appropriate.

Raw Materials

Raw materials essential to our businesses are purchased worldwide in the ordinary course of business from numerous suppliers. In general, these materials are available from multiple sources. No serious shortages or delays of raw materials were encountered in 2014, and none are expected in 2015. We have successfully secured the materials necessary to meet our requirements where there have been short-term imbalances between supply and demand, but generally at higher prices than those historically paid.

Government Regulation and Price Constraints

In the United States

General. Pharmaceutical companies are subject to extensive laws and regulations by national, state and local agencies in the countries in which they do business. Of particular importance in the U.S. is the FDA, which has jurisdiction over our biopharmaceutical products and administers requirements covering the testing, approval, safety, effectiveness, manufacturing, labeling, marketing, advertising and post-marketing surveillance of these products. The FDA also regulates our Consumer Healthcare products. Other federal agencies, including the U.S. Drug Enforcement Administration, also regulate some of our products.

Before any of our biopharmaceutical products may be marketed in the U.S., the FDA needs to approve a New Drug Application or Biologics License Application for that product. The steps required before the FDA will approve an application include multiple stages of clinical trials conducted by the study sponsor, sponsor submission of the application to the FDA for review, the FDA's review of the data to assess the drug's safety and effectiveness, and the FDA's inspection of the facilities where the product will be manufactured.

The marketing practices of all U.S. pharmaceutical companies are subject to federal and state healthcare laws that are intended to protect the integrity of government healthcare programs. The Office of Inspector General (OIG) of the Department of Health and Human Services (HHS) oversees compliance with applicable federal healthcare laws, including the federal anti-kickback statute, which criminalizes the offering of something of value to induce the recommendation, order or purchase of products reimbursed under a federal healthcare program, and false claim laws. The Federal Trade Commission also has the authority to regulate the advertising of consumer healthcare products, including OTC drugs and dietary supplements. Many of our activities are also subject to the jurisdiction of the SEC. Additionally, the U.S. Foreign Corrupt Practices Act (FCPA) prohibits U.S. corporations and their representatives from offering, promising, authorizing or making payments to any foreign government official, government staff member, political party or political candidate in an attempt to obtain or retain business abroad. The scope of the FCPA includes interactions with certain healthcare professionals in many countries. Other countries

have enacted similar anti-corruption laws and/or regulations. Individual states, acting through their attorneys general, have become active as well, seeking to regulate the marketing of prescription drugs under state consumer protection and false advertising laws.

Our business has been and will continue to be subject to these and various other U.S. laws and regulations. Failure to comply with these laws and regulations could subject us to administrative and legal proceedings and actions by these various governmental bodies. See the Notes to Consolidated Financial Statements—*Note 17. Commitments and Contingencies* in our 2014 Financial Report. Such actions may involve product seizures and other civil and criminal sanctions.

Healthcare Reform. In March 2010, the ACA was enacted in the U.S. The principal provisions affecting the biopharmaceutical industry provide for the following:

- a minimum rebate of 23.1% on branded prescription drugs sold to Medicaid beneficiaries;
- extension of Medicaid prescription drug rebates to drugs dispensed to enrollees in certain Medicaid managed care organizations;
- discounts on branded prescription drug sales to Medicare Part D participants who are in the Medicare "coverage gap"; and
- a fee payable to the federal government (which is not deductible for U.S. income tax purposes) based on our calendar-year share relative to other companies of branded prescription drug sales to specified government programs (effective January 1, 2011, with the total fee to be paid each year by the pharmaceutical industry increasing annually through 2018).

The ACA included a coverage expansion that took effect in 2014. Health Insurance Exchanges were created by the ACA to provide an opportunity for individuals without access to employer or other government sponsored coverage to purchase insurance from private health plans offering coverage compliant with ACA mandated provisions. States could choose to operate the Health Insurance Exchange with a federal grant, or defer operations to the federal government. Newly eligible patients enrolled either in Medicaid or in a Health Insurance Exchange plan. The Congressional Budget Office estimated that approximately 7 million Americans gained Medicaid coverage, and HHS reported that 6.7 million Americans were ultimately enrolled in Health Insurance Exchange plans in 2014.

The ACA specifies certain benefits and services that must be covered for health insurers to qualify to participate in the Health Insurance Exchanges, including prescription drugs. In general, health plans in the Health Insurance Exchange offer benefits that are more restrictive than the typical large employer, but more comprehensive than most catastrophic health insurance plans and some other limited policies available in the individual insurance marketplace. This means that there are high deductibles and co-pays, increased use of co-insurance, fewer medicines on formularies and restricted networks of physicians and hospitals. Because of these factors, Health Insurance Exchange enrollment has had only a negligible impact on Pfizer's 2014 revenues.

The coverage expansion included funding for increased Medicaid enrollment. Twenty-seven states and the District of Columbia opted to expand Medicaid eligibility in 2014. Because of the substantial mandatory rebates paid by pharmaceutical companies to the Medicaid program, and the formulary restrictions that limit access to brand name drugs in many states, the Medicaid expansion has also had only a negligible impact on Pfizer's 2014 revenues.

Changes in Disclosure of Relationships with U.S. Physicians and Teaching Hospitals. The ACA requires that biopharmaceutical and medical device manufacturers record transfers of value made to licensed U.S. physicians and teaching hospitals and to initially disclose such data to HHS by March 2014. Information provided by companies was aggregated and posted on the Open Payments website in September 2014, which is managed by the Centers for Medicare and Medicaid Services, the agency responsible for implementing disclosure provisions of the ACA. In addition to civil penalties for failure to report transfers of value to physicians or teaching hospitals, there will be criminal penalties if a manufacturer intentionally makes false statements or excludes information in such reports. Increased access to such data by fraud and abuse investigators, industry critics and media will likely draw attention to our collaborations with reported entities and will importantly provide opportunities to underscore the critical nature of our collaborations for developing new medicines and exchanging scientific information. This national payment transparency effort, coupled with industry commitment to uphold voluntary codes of conduct (such as the Pharmaceutical Research and Manufacturers of America (PhRMA) *Code on Interactions with Healthcare Professionals* and PhRMA *Guiding Principles Direct to Consumer Advertisements About Prescription Medicines*) and rigorous internal training and compliance efforts, will complement existing laws and regulations to help ensure ethical collaboration and truthful product communications.

Biosimilars. The ACA also created a framework for the approval of biosimilars (also known as follow-on biologics) following the expiration of 12 years of exclusivity for the innovator biologic, with a potential six-month pediatric extension. Under the ACA, biosimilar applications may not be submitted until four years after the approval of the reference, innovator biologic. The FDA is responsible for implementation of the legislation, which will require the FDA to address such key topics as:

- the type and extent of data needed to establish biosimilarity;
- the data required to achieve interchangeability compared to biosimilarity;
- the naming convention for biosimilars;
- the tracking and tracing of adverse events; and
- the acceptability of data using a non-U.S.-licensed comparator to demonstrate biosimilarity and/or interchangeability with a U.S.-licensed reference product.

In February 2012, the FDA released three draft guidance documents, in which it clarified that biosimilar applicants may use a non-U.S.-licensed comparator in certain studies to demonstrate biosimilarity to a U.S.-licensed reference product. In 2014, the FDA issued draft guidance on clinical pharmacology for biosimilars and reference product exclusivity for biologic products. Over the next several years, the FDA is expected to finalize these guidance documents and issue additional draft and final documents impacting biosimilars. Further clarity may also be provided as the FDA begins to review biosimilar applications, the first four of which were filed by other companies pursuant to the ACA pathway in 2014.

Medicaid and Related Matters. The majority of states use preferred drug lists to restrict access to certain medicines in Medicaid. Restrictions exist for some Pfizer products in certain states. Access in the Medicaid managed care program is typically determined by the health plans providing coverage for Medicaid recipients contracting for the provision of services in the state. Given certain states' current and potential ongoing fiscal crises, a growing number of states are considering a variety of cost-control strategies, including capitated managed care plans that typically contain cost by restricting access to certain treatments.

Pfizer must give discounts or rebates on purchases or reimbursements of pharmaceutical products by state Medicaid agencies and certain other federal and state agencies and programs. See the discussion regarding rebates in the *Analysis of the Consolidated Statements of Income—Revenues—Overview* section in our 2014 Financial Report and in the Notes to Consolidated Financial Statements—*Note 1G. Basis of Presentation and Significant Accounting Policies: Revenues and Accounts Receivable* in our 2014 Financial Report, which are incorporated by reference.

Sustainable Growth Rate Replacement. The Medicare physician payment formula known as the Sustainable Growth Rate (SGR) is routinely overridden by Congressional action because it would lead to dramatic decreases in physician payment. The current legislative relief expires in March 2015. Congress issued a bi-partisan proposal to repeal the SGR and replace it with a new payment model. This form of SGR replacement is estimated by the Congressional Budget Office to cost the federal government approximately $144 billion over 10 years. The source of those funds has yet to be determined, but could include additional taxes on and/or rebate requirements applicable to the pharmaceutical industry, including Pfizer.

Outside the United States

We encounter similar regulatory and legislative issues in most other countries.

Pricing and Reimbursement. In Europe, Japan, China, Canada, South Korea and some other international markets, governments provide healthcare at low direct cost to consumers and regulate pharmaceutical prices or patient reimbursement levels to control costs for the government-sponsored healthcare system, particularly under recent global economic pressures. In particular, the EU does not have jurisdiction over patient reimbursement or pricing matters in its Member States, so we continue to work with individual countries on such matters across the region. This international patchwork of price regulation and differing economic conditions and assessments of value across countries has led to different prices in different countries and some third-party trade in our products between countries.

The practice of many countries linking their regulated medicine prices to those of other countries, i.e., international reference pricing (IRP), adds to the regional impact of price cuts in individual countries and hinders patient access and innovation. Price variations have also resulted from exchange rate fluctuations that are exacerbated by IRP systems. The

downward pricing pressure resulting from this dynamic can be expected to continue as a result of reforms to IRP policies, emergency measures targeting pharmaceuticals in some European countries and ongoing exchange rate fluctuations.

New Drug Approvals and Pharmacovigilance. In the EU, the approval of new drugs may be achieved using the Mutual Recognition Procedure/Decentralized Procedure or EU Commission/EMA Centralized Procedure. These procedures apply in the EU Member States, plus the European Economic Area countries, Norway and Iceland. The use of these procedures generally provides a more rapid and consistent approval process across the Member States than was the case when the approval processes were operating independently within each country.

Health authorities in many middle and lower income countries require marketing approval by a recognized regulatory authority (e.g., similar to the authority of the FDA or the EMA) before they begin to conduct their application review process and/or issue their final approval. Many authorities also require local clinical data in the country's population in order to receive final marketing approval. These requirements delay marketing authorization in those countries relative to the U.S. and Europe.

China's regulatory system is unique in many ways, and its drug development and registration requirements are not always consistent with U.S. or other international standards. As a result, it is not uncommon to see treatments entering the market in China two to five years after first marketing in the U.S. and Europe.

In 2012, new pharmacovigilance legislation came into force in the EU. Key changes include the establishment of a new Pharmacovigilance Risk Assessment Committee within the EMA, with responsibility for reviewing and making recommendations on product safety issues for the EU authorities. It also introduces the possibility for regulators to require pharmaceutical companies to conduct post-authorization efficacy studies at the time of approval, or at any time afterwards in light of scientific developments. There are also additional requirements regarding adverse drug reaction reporting and additional monitoring of products. Outside developed markets such as the EU and Japan, pharmacovigilance requirements vary and are typically less extensive.

Clinical Trials Regulation. The new EU Regulation on Clinical Trials was published in May 2014, and is expected to come into force, at the earliest, in May 2016. This new regulation is aimed at simplifying and harmonizing the governance of clinical trials in the EU, particularly the processes for submission and approval of clinical trial applications, which have been criticized as harming Europe's competitiveness in clinical R&D of new medicines. In line with the pro-transparency policy of the EU institutions, the new regulation will also require increased public posting of clinical trial results.

Clinical Trial Data Sharing. In October 2014, the EMA adopted its policy on the publication of clinical data for medicinal products for human use, which became effective on January 1, 2015. Under this policy, the EMA will, for the first time, proactively publish clinical data from application dossiers for new marketing authorizations, subject to limited exceptions for commercially confidential information and the exclusion of any protected personal data. This clinical data can be accessed via the EMA's website, subject to the acceptance of terms of use, which also includes disclosure that the data will be used only for non-commercial research purposes.

Healthcare Professional Transparency and Disclosures. In 2013, the European Federation of Pharmaceutical Industries and Associations (EFPIA) released its disclosure code of transfers of value to healthcare professionals and organizations. The code requires all members of EFPIA, including Pfizer, to disclose transfers of value to healthcare professionals and healthcare organizations beginning in 2016, covering the relevant transfers in 2015. Each member company will be required to document and disclose: (i) the names of healthcare professionals and associations that have received payments or other transfers of value and (ii) the amounts or value transferred, and the type of relationship.

Intellectual Property

The World Trade Organization Agreement on Trade Related Aspects of Intellectual Property (WTO-TRIPS) required participant countries to amend their intellectual property laws to provide patent protection for pharmaceutical products by 2005, with an extension until 2021 for least-developed countries. While we still face enforcement and other intellectual property challenges around the world, a number of countries have made improvements. We have experienced significant growth in our businesses in some of those countries. We include stronger patent protection among the factors we consider for continued business expansion in other participant countries.

While the global intellectual property environment has improved following WTO-TRIPS and bilateral/multilateral trade agreements, our future business growth depends on further progress in intellectual property protection. In emerging market countries in particular, governments have used intellectual property policies as a tool for reducing the price of imported medicines, as well as to protect their national pharmaceutical industries. There is considerable political pressure to weaken

existing intellectual property protection and resist implementation of any further protection, which has led to policies such as more restrictive standards and more difficult procedures for patenting biopharmaceutical inventions, restrictions on patenting certain types of inventions (e.g., new medical treatment methods), revocation of patents, issuance of compulsory licenses, weak intellectual property enforcement and failure to implement effective regulatory data protection. Our industry advocacy efforts focus on seeking a more balanced business environment for foreign manufacturers, as well as on underscoring the importance of strong intellectual property systems for local innovative industries.

Canada's intellectual property regime for drugs provides some level of patent protection and data exclusivity (eight years), but it lacks the predictability and stability that comparable countries provide. Through intense negotiations as part of the Canada/EU Comprehensive Economic & Trade Agreement, Canadian authorities committed to introduce a right of appeal, a form of patent term restoration and to elevate the current data protection to a treaty obligation, further aligning its intellectual property regime to the EU. Canada also joined the ongoing negotiations of the Trans-Pacific Trade Partnership (TPP), and the TPP negotiations could further pressure Canada to enhance its intellectual property regime. The patent utility doctrine developed by the Canadian courts remains an important concern which is currently not being addressed by the Canadian government.

In China, the intellectual property environment has improved, although effective enforcement and adequate legal remedies remain areas of concern. The government has taken steps to protect intellectual property rights in conformity with World Trade Organization provisions, and several companies, including Pfizer, have established R&D centers in China due to increased confidence in China's intellectual property environment. Despite this, China remained on the U.S. Department of Commerce Priority Watch List for 2013. Further, the standards for patentability in China remain more restrictive than in other major markets, including the U.S., Europe and Japan. Also, while a framework exists for protecting patents for 20 years, enforcement mechanisms are often lacking or inconsistent. For example, the absence of effective patent linkage mechanisms and preliminary injunctions, impractical evidentiary burdens, and heightened sufficiency standards have been used to invalidate patents at the enforcement stage.

In Brazil and other Latin American countries, the role of health regulatory authorities in reviewing patents (e.g., National Health Surveillance Agency (ANVISA) in Brazil), restrictive patentability rules and backlogs at patent agencies may limit our ability to protect our products through patents. The lack of regulatory data protection and difficulties in protecting certain types of inventions, such as new medical uses of drug products, may limit the commercial lifespan of some pharmaceutical products.

In India, policies favoring compulsory licensing of patents, the increasing tendency of the Indian Patent Office to revoke pharmaceutical patents in opposition proceedings, and restrictive standards for patentability of pharmaceutical products have made it difficult to protect many of our inventions. India maintains a system of pre-grant patent oppositions that delays the granting of patents and adds an additional challenge in our ability to protect our products through patents. Indian law includes special restrictions on the types of pharmaceutical inventions that may be patented which may limit our ability to protect our products. Recent use by the Indian government of compulsory licensing and patent revocation mechanisms heightens the risk of additional patent challenges targeting innovative pharmaceutical products, especially in areas perceived as being important to the public health of the population, such as infectious diseases, cancer and diabetes. In September 2012, Pfizer's patent covering *Sutent* was revoked by the Indian Patent Office and other challenges against Pfizer patents are ongoing.

In South Korea, the laws and regulations for the patent-regulatory approval linkage system were finalized and are in the process of being implemented as part of the United States-Korea Free Trade Agreement in 2012. The Korean patent-regulatory approval linkage system includes biologics.

Environmental Matters

Most of our operations are affected by national, state and/or local environmental laws. We have made, and intend to continue to make, the expenditures necessary for compliance with applicable laws. We also are cleaning up environmental contamination from past industrial activity at certain sites. See the Notes to Consolidated Financial Statements—*Note 17. Commitments and Contingencies* in our 2014 Financial Report. As a result, we incurred capital and operational expenditures in 2014 for environmental compliance purposes and for the clean-up of certain past industrial activity as follows:

- environment-related capital expenditures—$19 million; and
- other environment-related expenses—$160 million.

While capital expenditures or operating costs for environmental compliance, including compliance with laws related to climate change, cannot be predicted with certainty, we have no reason to believe they will have a material effect on our capital expenditures or competitive position.

Climate change presents risks to our operations, including potential physical risks to our facilities and supply chain due to more frequent and severe weather events and water availability. We cannot provide assurance that physical risks to our facilities and supply chain due to climate change will not occur in the future; however, we have reviewed the potential for these risks and have concluded that, because of our facility locations, our existing distribution networks and our controls, we do not believe these risks are material to Pfizer in the near term.

Tax Matters

The discussion of tax-related matters in the Notes to Consolidated Financial Statements—*Note 5. Tax Matters* in our 2014 Financial Report, is incorporated by reference.

Employees

In our innovation-intensive business, our employees are vital to our success. We believe we have good relationships with our employees. As of December 31, 2014, we employed approximately 78,300 people in our operations throughout the world.

Disclosure Pursuant to Section 219 of the Iran Threat Reduction and Syria Human Rights Act of 2012

Section 219 of the Iran Threat Reduction and Syria Human Rights Act of 2012 (ITRSHRA) requires disclosure by public companies of certain transactions involving the Government of Iran, as well as entities and individuals designated under Executive Order 13382 and Executive Order 13224 (the Executive Orders). In some instances, ITRSHRA requires companies to disclose these types of transactions, even if they were permissible under U.S. law or were conducted by a non-U.S. affiliate in accordance with the local law under which such entity operates.

As a global biopharmaceutical company, we conduct business in multiple jurisdictions throughout the world. During 2014, our activities included supplying life-saving medicines, medical products and consumer products (Pfizer products) for patient and consumer use in Iran. We ship Pfizer products to Iran, and conduct related activities, in accordance with licenses issued by the U.S. Department of the Treasury's Office of Foreign Assets Control and other U.S. and non-U.S. governmental entities, and in line with our corporate policies. We will continue our global activities to improve the health and well-being of patients and consumers in a manner consistent with applicable laws and our corporate policies. To our knowledge, none of our activities during 2014 are required to be disclosed pursuant to ITRSHRA.

ITEM 1A. RISK FACTORS

The statements in this Section describe the major risks to our business and should be considered carefully. In addition, these statements constitute our cautionary statements under the Private Securities Litigation Reform Act of 1995.

Our disclosure and analysis in this 2014 Form 10-K and in our 2014 Annual Report to Shareholders contain forward-looking statements that set forth anticipated results based on management's plans and assumptions. From time to time, we also provide forward-looking statements in other materials we release to the public, as well as oral forward-looking statements. Such forward-looking statements involve substantial risks and uncertainties. We have tried, wherever possible, to identify such statements by using words such as "will," "may," "could," "likely," "ongoing," "anticipate," "estimate," "expect," "project," "intend," "plan," "believe," "target," "forecast," "goal," "objective," "aim" and other words and terms of similar meaning, or by using future dates in connection with any discussion of, among other things, our anticipated future operating or financial performance, business plans and prospects, in-line products and product candidates, strategic reviews, capital allocation, business-development plans, and plans relating to share repurchases and dividends. In particular, these include statements relating to future actions, business plans and prospects, our recently-announced proposed acquisition of Hospira, prospective products or product approvals, future performance or results of current and anticipated products, sales efforts, expenses, interest rates, foreign exchange rates, the outcome of contingencies, such as legal proceedings, plans relating to share repurchases and dividends, government regulation and financial results, including, in particular, the financial guidance set forth in the Overview of Our Performance, Operating Environment, Strategy and Outlook—Our Financial Guidance for 2015 section in our 2014 Financial Report; the anticipated costs and cost savings set forth in the Costs and Expenses—Restructuring Charges and Other Costs Associated with Acquisitions and Cost-Reduction/Productivity Initiatives section in our 2014 Financial Report and Notes to Consolidated Financial Statements—Notes 3. Restructuring Charges and Other Costs Associated with Acquisitions and Cost—Reduction/Productivity Initiatives; the planned capital spending set forth in the Analysis of Financial Condition, Liquidity and Capital Resources—Selected Measures of Liquidity and Capital Resources—Contractual Obligations section in our 2014 Financial Report; and the contributions that we expect to make from our general assets to the Company's pension and postretirement plans during 2015 set forth in the Notes to Consolidated Financial Statements—Note 11. Pension and Postretirement Benefit Plans and Defined Contribution Plans in our 2014 Financial Report and in the Analysis of Financial Condition, Liquidity and Capital Resources—Selected Measures of Liquidity and Capital Resources—Contractual Obligations section in our 2014 Financial Report.

We cannot guarantee that any forward-looking statement will be realized, although we believe we have been prudent in our plans and assumptions. Achievement of anticipated results is subject to substantial risks, uncertainties and inaccurate assumptions. Should known or unknown risks or uncertainties materialize, or should underlying assumptions prove inaccurate, actual results could vary materially from past results and those anticipated, estimated or projected. You should bear this in mind as you consider forward-looking statements, and you are cautioned not to put undue reliance on forward-looking statements.

We undertake no obligation to publicly update forward-looking statements, whether as a result of new information, future events or otherwise, except as required by law or by the rules and regulations of the SEC. You are advised, however, to consult any further disclosures we make on related subjects in our Form 10-Q and 8-K reports and our other filings with the SEC. Also note that we provide the following cautionary discussion of risks, uncertainties and possibly inaccurate assumptions relevant to our businesses. These are factors that, individually or in the aggregate, may cause our actual results to differ materially from expected and historical results. We note these factors for investors as permitted by the Private Securities Litigation Reform Act of 1995. You should understand that it is not possible to predict or identify all such factors. Consequently, you should not consider the following to be a complete discussion of all potential risks or uncertainties.

Pricing Pressures and Government Regulation

U.S. and international governmental regulations mandating price controls and limitations on patient access to our products impact our business, and our future results could be adversely affected by changes in such regulations or policies.

In the U.S., many of our biopharmaceutical products are subject to increasing pricing pressures. Such pressures have increased as a result of the 2003 Medicare Modernization Act (2003 MMA) and the ACA due to the enhanced purchasing power of the private sector plans that negotiate on behalf of beneficiaries. In addition, if the 2003 MMA or the ACA were amended to impose direct governmental price controls and access restrictions, it would have a significant adverse impact on our business. Furthermore, MCOs, as well as Medicaid and other government agencies, continue to seek price discounts.

Some states have implemented, and other states are considering, price controls or patient access constraints under the Medicaid program, and some states are considering price-control regimes that would apply to broader segments of their populations that are not Medicaid-eligible. Other matters also could be the subject of U.S. federal or state legislative or regulatory action that could adversely affect our business, including, among others, changes in patent laws, the importation of drugs from outside the U.S. at prices that are regulated by governments of foreign countries, restrictions on U.S. direct-to-consumer advertising, limitations on interactions with healthcare professionals, or the use of comparative effectiveness methodologies that could be implemented in a manner that focuses primarily on cost differences and minimizes the therapeutic differences among pharmaceutical products and restricts access to innovative medicines. In addition, pricing pressures may occur as a result of highly competitive insurance markets.

We encounter similar regulatory and legislative issues in most other countries. In Europe, Japan, China, Canada, South Korea and some other international markets, governments provide healthcare at low direct cost to consumers and regulate pharmaceutical prices or patient reimbursement levels to control costs for the government-sponsored healthcare system, and we have seen government-mandated reductions in prices and access restrictions for certain biopharmaceutical products to control costs in those markets, particularly under recent global economic pressures. As a result, it is expected that pressures on the pricing component of operating results will continue. The adoption of restrictive price controls in new jurisdictions or more restrictive ones in existing jurisdictions, failure to obtain timely or adequate government-approved pricing or formulary placement where required for our products or obtaining such pricing or placement at unfavorable pricing could also adversely impact revenue. In our vaccines business, we participate in a tender process in many countries for participation in national immunization programs. Failure to secure participation in national immunization programs or to obtain acceptable pricing in the tender process could adversely affect our business.

Managed Care Trends

Consolidation among MCOs has increased the negotiating power of MCOs and other private insurers. Private third-party insurers, as well as governments, increasingly employ formularies to control costs by negotiating discounted prices in exchange for formulary inclusion. Failure to obtain timely or adequate pricing or formulary placement for our products or obtaining such pricing or placement at unfavorable pricing could adversely impact revenue. In addition to formulary tier co-pay differentials, private health insurance companies and self-insured employers have been raising co-payments required from beneficiaries, particularly for branded pharmaceuticals and biotechnology products. This cost shifting has given consumers greater control of medication choices, as they pay for a larger portion of their prescription costs and may cause consumers to favor lower cost generic alternatives to branded pharmaceuticals. Private health insurance companies also are increasingly imposing utilization management tools, such as clinical protocols, requiring prior authorization for a branded product if a generic product is available or requiring the patient to first fail on one or more generic products before permitting access to a branded medicine. As the U.S. payer market concentrates further and as more drugs become available in generic form, biopharmaceutical companies may face greater pricing pressure from private third-party payers, who will continue to drive more of their patients to use lower cost generic alternatives.

U.S. Healthcare Reform/Healthcare Legislation

The ACA was enacted by Congress in March 2010 and its provisions become effective on various dates, with the Medicaid and Health Insurance Exchange coverage expansion effective in 2014. We expect that the rebates, discounts, taxes and other costs resulting from the ACA over time will have a significant effect on our expenses and profitability in the future. See the discussion under the *Overview of Our Performance, Operating Environment, Strategy and Outlook—Our Operating Environment—Industry-Specific Challenges—Regulatory Environment/Pricing and Access—U.S. Healthcare Legislation* section in our 2014 Financial Report and in *Item 1. Business* under the caption *Government Regulation and Price Constraints—In the United States*. Furthermore, the Independent Payment Advisory Board (IPAB), which was created by the ACA to reduce the per capita rate of growth in Medicare spending, could potentially limit access to certain treatments or mandate price controls for our products, though the IPAB has not yet been named and the Congressional Budget Office does not expect that the threshold for IPAB recommendations will be exceeded in the near future. Moreover, expanded government investigative authority may increase the costs of compliance with new regulations and programs. We also face the uncertainties that might result from any modification, repeal or invalidation of any of the provisions of the ACA. One major provision of the ACA is currently under review by the Supreme Court of the United States (SCOTUS), which has agreed to hear a case known as *King v. Burwell* during the 2015 session. The case challenges the extension of premium subsidies to health insurance policies purchased through federally-facilitated Health Insurance Exchanges, arguing that subsidies must be limited to state-operated Health Insurance Exchanges. If decided in favor of the plaintiffs, this case could make it more difficult for uninsured individuals in states that do not operate a Health Insurance Exchange to purchase coverage and otherwise significantly affect implementation of the ACA, in a manner that results in less than projected numbers of newly insured individuals. We expect that a decision by SCOTUS in this case would have a negligible impact on our revenues, given that the state-operated Health

Insurance Exchanges and the federally-facilitated Health Insurance Exchanges are projected to account for minimal new Pfizer revenue, even with fully available subsidies for the reasons discussed in *Item 1. Business* under the caption *Government Regulation and Price Constraints—In the United States.*

U.S. Deficit-Reduction Actions

Any significant spending reductions affecting Medicare, Medicaid or other publicly funded or subsidized health programs that may be implemented, and/or any significant additional taxes or fees that may be imposed on us, as part of any broad deficit-reduction effort could have an adverse impact on our results of operations.

Generic Competition

Competition from manufacturers of generic drugs is a major challenge for us around the world, and the loss or expiration of intellectual property rights can have a significant adverse effect on our revenues. The date at which generic competition commences may be different from the date that the patent or regulatory exclusivity expires. However, upon the expiration or loss of patent protection for one of our products, or upon the "at-risk" launch (despite pending patent infringement litigation against the generic product) by a generic manufacturer of a generic version of one of our patented products, we can lose the major portion of revenues for that product in a very short period of time, which can adversely affect our business. A number of our current products are expected to face significantly increased generic competition over the next few years.

Also, the patents covering several of our medicines, including *Viagra*, *Celebrex*, *Sutent*, *EpiPen*, *Toviaz* and *Tygacil* extended-release capsules in the U.S. are being challenged by generic manufacturers. Our licensing and collaboration partners also face challenges by generic drug manufacturers to patents covering several of their products that may impact our licenses or co-promotion rights to such products. In addition, our patent-protected products may face competition in the form of generic versions of competitors' branded products that lose their market exclusivity.

Competitive Products

We cannot predict with accuracy the timing or impact of the introduction of competitive products, which can result in erosion of the sales of our existing products and potential sales of products in development, as well as unanticipated product obsolescence. Products that compete with ours, including some of our best-selling medicines, are launched from time to time. Competitive product launches have occurred in recent years, and certain potentially competitive products are in various stages of development, some of which have been filed for approval with the FDA and with regulatory authorities in other countries.

Dependence on Key In-Line Products

We recorded direct product revenues of more than $1 billion for each of 10 biopharmaceutical products in 2014: *Lyrica*, the *Prevnar* family of products, *Enbrel*, *Celebrex*, *Lipitor*, *Viagra*, *Zyvox*, *Sutent*, *Norvasc* and the *Premarin* family of products. Those products accounted for 54% of our total biopharmaceutical revenues in 2014. If these products or any of our other major products were to become subject to problems such as loss of patent protection, changes in prescription growth rates, material product liability litigation, unexpected side effects, regulatory proceedings, publicity affecting doctor or patient confidence, pressure from existing competitive products, changes in labeling or, if a new, more effective treatment should be introduced, the adverse impact on our revenues could be significant. Patents covering several of our best-selling medicines have recently expired or will expire in the next few years (including some of our billion-dollar and previously billion-dollar products), and patents covering a number of our best-selling medicines are the subject of pending legal challenges. For example, on December 10, 2014, generic versions of *Celebrex* became available pursuant to settlement agreements licensing the reissue patent to several generic manufacturers. In addition, our revenues could be significantly impacted by the timing and rate of commercial acceptance of key new products.

Further, our Alliance revenues have been and will continue to be adversely affected by the termination or expiration of collaboration and co-promotion agreements that we have entered into and that we may enter into from time to time. For example, our collaboration with Boehringer Ingelheim for *Spiriva* has expired in major markets (U.S., the EU, Canada and Australia), and is expiring in other markets through 2016; the co-promotion term of our U.S. and Canada collaboration agreement with Amgen Inc. (Amgen) for *Enbrel* expired in October 2013 (our exclusive rights to *Enbrel* outside the U.S. and Canada are not affected by the expiration of the co-promotion term of the collaboration agreement with Amgen); and our collaboration agreement with EMD Serono Inc. to co-promote *Rebif* in the U.S. will expire at the end of 2015. See the *Overview of Our Performance, Operating Environment, Strategy and Outlook—Our Operating Environment—Industry-Specific Challenges—Intellectual Property Rights and Collaboration/Licensing Rights* and *Analysis of the Consolidated*

Statements of Income—Biopharmaceutical—Selected Product Descriptions sections in our 2014 Financial Report for additional information on the expirations of these agreements.

Research and Development Investment

The discovery and development of safe, effective new products, and the development of additional uses for existing products, are necessary for the continued strength of our businesses. Our product lines must be replenished over time in order to offset revenue losses when products lose their exclusivity, as well as to provide for earnings growth. Our growth potential depends in large part on our ability to identify and develop new products or new indications for existing products that address unmet medical needs and receive reimbursement from payers, either through internal R&D or through collaborations, acquisitions, joint ventures or licensing or other arrangements with third parties. However, balancing current growth, investment for the future and the delivery of shareholder return remains a major challenge. Our ongoing investments in new product introductions and in R&D for new products and existing product extensions could exceed corresponding sales growth. This could produce higher costs without a corresponding increase in revenues.

Additionally, our R&D investment plans and resources may not be correctly matched between science and markets, and failure to invest in the right technology platforms, therapeutic segments, product classes, geographic markets and/or in-licensing and out-licensing opportunities in order to deliver a robust pipeline could adversely impact the productivity of our pipeline. Further, even if the areas with the greatest market attractiveness are identified, the science may not work for any given program despite the significant investment required for R&D.

We continue to strengthen our global R&D organization and pursue strategies intended to improve innovation and overall productivity in R&D to achieve a sustainable pipeline that will deliver value in the near term and over time. There can be no assurance that these strategies will deliver the desired result, which could affect profitability in the future.

Development, Regulatory Approval and Marketing of Products

The outcome of the lengthy and complex process of identifying new compounds and developing new products is inherently uncertain and involves a high degree of risk and cost. Drug discovery and development is time-consuming, expensive and unpredictable. The process from early discovery or design to development to regulatory approval can take many years. Drug candidates can and do fail at any stage of the process, including as the result of unfavorable clinical trial results. There can be no assurance regarding our ability to meet anticipated clinical trial commencement and completion dates, regulatory submission dates, and launch dates for product candidates, or as to whether or when we will receive regulatory approval for new products or for new indications or dosage forms for existing products, which will depend on the assessment by regulatory authorities of the benefit-risk profile reflected by the totality of the efficacy and safety information submitted. Decisions by regulatory authorities regarding labeling, ingredients and other matters could adversely affect the availability or commercial potential of our products, and there is no assurance that any of our late stage pipeline products will receive regulatory approval and/or be commercially successful or that recently approved products will be approved in other markets and/or be commercially successful. There is also a risk that we may not adequately address existing regulatory agency findings concerning the adequacy of our regulatory compliance processes and systems or implement sustainable processes and procedures to maintain regulatory compliance and to address future regulatory agency findings, should they occur. In addition, there are risks associated with interim data, including the risk that final results of studies for which interim data have been provided and/or additional clinical trials may be different from (including less favorable than) the interim data results and may not support further clinical development of the applicable product candidate or indication.

There are many considerations that can affect the marketing of our products around the world. Regulatory delays, the inability to successfully complete or adequately design and implement clinical trials within the anticipated quality, time and cost guidelines or in compliance with applicable regulatory expectations, claims and concerns about safety and efficacy, new discoveries, patent disputes and claims about adverse side effects are a few of the factors that can adversely affect the realization of R&D and product-related, forward-looking statements. Further, claims and concerns about safety and efficacy can result in a negative impact on product sales, product recalls or withdrawals, and/or consumer fraud, product liability and other litigation and claims. Increasing regulatory scrutiny of drug safety and efficacy, with regulatory authorities increasingly focused on product safety and the risk/benefit profile of products as they relate to already-approved products, has resulted in a more challenging, expensive and lengthy regulatory approval process due to requests for, among other things, additional clinical trials prior to granting approval or increased post-approval requirements, such as risk evaluation and mitigation strategies.

In addition, failure to put in place adequate controls and/or resources for effective collection, reporting and management of adverse events from clinical trials and post-marketing surveillance, in compliance with current and evolving regulatory requirements could result in risks to patient safety, regulatory actions and risks to product sales.

Post-Approval Data

As a condition to granting marketing approval of a product, the FDA may require a company to conduct additional clinical trials. The results generated in these Phase 4 trials could result in loss of marketing approval, changes in product labeling, and/or new or increased concerns about the side effects or efficacy of a product. Regulatory agencies in countries outside the U.S. often have similar authority and may impose comparable requirements. Post-marketing studies, whether conducted by us or by others and whether mandated by regulatory agencies or voluntary, and other emerging data about marketed products, such as adverse event reports, may also adversely affect sales of our products. Further, the discovery of significant problems with a product similar to one of our products that implicate (or are perceived to implicate) an entire class of products could have an adverse effect on sales of the affected products. Accordingly, new data about our products, or products similar to our products, could negatively impact demand for our products due to real or perceived side effects or uncertainty regarding efficacy and, in some cases, could result in updated labeling, restrictions on use, product withdrawal or recall.

Patent Protection

Our long-term success largely depends on our ability to market technologically competitive products. We rely and expect to continue to rely on a combination of intellectual property, including patent, trademark, trade dress, copyright, trade secret and domain name protection laws, as well as confidentiality and license agreements with our employees and others, to protect our intellectual property and proprietary rights. If we fail to obtain and maintain adequate intellectual property protection, we may not be able to prevent third parties from launching generic versions of our products, using our proprietary technologies or from marketing products that are very similar or identical to ours. Our currently pending or future patent applications may not result in issued patents, or be granted on a timely basis. Similarly, any term extensions that we seek may not be granted on a timely basis, if at all. In addition, our issued patents may not contain claims sufficiently broad to protect us against third parties with similar technologies or products or provide us with any competitive advantage, including exclusivity in a particular product area. The scope of our patent claims also may vary between countries, as individual countries have distinctive patent laws. We may be subject to challenges by third parties regarding our intellectual property, including, among others, claims regarding validity, enforceability, scope and effective term.

Our ability to enforce our patents also depends on the laws of individual countries and each country's practice with respect to enforcement of intellectual property rights, and the extent to which certain sovereigns may seek to engage in a policy of routine compulsory licensing of pharmaceutical intellectual property as a result of local political pressure or in the case of national emergencies. In countries that provide some form of regulatory exclusivity, mechanisms exist permitting some form of challenge to our patents by competitors or generic drug marketers prior to or immediately following the expiration of such regulatory exclusivity, and generic companies are increasingly employing aggressive strategies, such as "at risk" launches to challenge our patent rights. Further, if we are unable to maintain our existing license agreements or other agreements pursuant to which third parties grant us rights to intellectual property, including because such agreements expire or are terminated, our operating results and financial condition could be materially adversely affected.

Likewise, in the U.S. and other countries, we currently hold issued trademark registrations and have trademark applications pending, any of which may be the subject of a governmental or third-party objection, which could prevent the maintenance or issuance of the same. As our products mature, our reliance on our trademarks to differentiate us from our competitors increases and as a result, if we are unable to prevent third parties from adopting, registering or using trademarks and trade dress that infringe, dilute or otherwise violate our trademark rights, our business could be materially adversely affected. We actively seek to protect our proprietary information, including our trade secrets and proprietary know-how, by requiring our employees, consultants, other advisors and other third parties to execute proprietary information and confidentiality agreements upon the commencement of their employment, engagement or other relationship. Despite these efforts and precautions, we may be unable to prevent a third party from copying or otherwise obtaining and using our trade secrets or our other intellectual property without authorization, and legal remedies in some countries may not adequately compensate us for the damages caused by such unauthorized use. Further, others may independently and lawfully develop substantially similar or identical products that circumvent our intellectual property by means of alternative designs or processes or otherwise.

A properly functioning intellectual property regime is essential to our business model. We are committed to respecting the valid intellectual property rights of other companies but the patent granting process is imperfect. Accordingly, the pursuit of valid business opportunities may require us to challenge intellectual property rights held by other companies that we believe were improperly granted. Such challenges may include negotiation and litigation, which may not be successful.

Biotechnology Products

Abbreviated legal pathways for the approval of biosimilars exist in certain international markets and, since the passage of the ACA, a framework for such approval exists in the U.S. If competitors are able to obtain marketing approval for biosimilars referencing our biotechnology products, our biotechnology products may become subject to competition from biosimilars, with attendant competitive pressure, and price reductions could follow. The expiration or successful challenge of applicable patent rights could trigger this competition, assuming any relevant exclusivity period has expired. We may face more litigation with respect to the validity and/or scope of patents relating to our biotechnology products with substantial revenue.

We are developing biosimilar medicines. The developing pathway for registration and approval of biosimilar products in the U.S. could diminish the value of our past and future investments in biosimilars. Other risks related to our development of biosimilars include the potential for steeper than anticipated price erosion due to increased competitive intensity, coupled with high costs associated with clinical development or intellectual property challenges that may preclude timely commercialization of our potential biosimilar products. There is also a risk of lower prescriptions of biosimilars due to potential concerns over comparability with innovator medicines.

Research Studies

Decisions about research studies made early in the development process of a drug candidate can have a substantial impact on the marketing strategy and payer reimbursement possibilities once the drug receives regulatory approval. For example, more detailed studies can lead to approval for a broader set of indications that may impact the marketing and payer reimbursement process, but each additional indication must be balanced against the time and resources required to demonstrate benefit and the potential delays to approval of the primary indication. We try to plan clinical trials prudently and to reasonably foresee and address challenges, but there is no guarantee that an optimal balance between trial conduct, speed and desired outcome will be achieved each time. The degree to which these challenges are foreseen and addressed could affect our future results.

Foreign Exchange and Interest Rate Risk

Significant portions of our revenues and earnings, as well as our substantial international net assets, are exposed to changes in foreign exchange rates. 62% of our total 2014 revenues were derived from international operations, including 27% from Europe and 21% from Japan and the rest of Asia. As we operate in multiple foreign currencies, including the euro, the Japanese yen, the Chinese renminbi, the U.K. pound, the Canadian dollar and approximately 100 other currencies, changes in those currencies relative to the U.S. dollar will impact our revenues and expenses. If the U.S. dollar were to weaken against another currency, assuming all other variables remained constant, our revenues would increase, having a positive impact on earnings, and our overall expenses would increase, having a negative impact on earnings. Conversely, if the U.S. dollar were to strengthen against another currency, assuming all other variables remained constant, our revenues would decrease, having a negative impact on earnings, and our overall expenses would decrease, having a positive impact on earnings. Therefore, significant changes in foreign exchange rates can impact our results and our financial guidance.

The impact of possible currency devaluations in countries experiencing high inflation rates or significant exchange fluctuations can impact our results and financial guidance. For example, in February 2013, the Venezuelan government devalued its currency from a rate of 4.3 to 6.3 of Venezuelan currency to the U.S. dollar. See the *Analysis of Financial Condition, Liquidity and Capital Resources—Global Economic Conditions—Venezuela Operations* section in our 2014 Financial Report for more information.

In addition, our interest-bearing investments and borrowings, and our pension benefit obligations, net, and our postretirement benefit obligations, net, are subject to risk from changes in interest rates and foreign exchange rates. These risks and the measures we have taken to help contain them are discussed in the *Forward-Looking Information and Factors That May Affect Future Results—Financial Risk Management* section in our 2014 Financial Report. For additional details, see the Notes to Consolidated Financial Statements—*Note 7E. Financial Instruments: Derivative Financial Instruments and Hedging Activities* and —*Note 11. Pension and Postretirement Benefit Plans and Defined Contribution Plans* in our 2014

Financial Report and the *Significant Accounting Policies and Application of Critical Accounting Estimates and Assumptions—Benefit Plans* section in our 2014 Financial Report. Those sections of our 2014 Financial Report are incorporated by reference.

Notwithstanding our efforts to foresee and mitigate the effects of changes in external fiscal circumstances, we cannot predict with certainty changes in currency and interest rates, inflation or other related factors affecting our businesses.

Risks Affecting International Operations

Our international operations could be affected by currency fluctuations, capital and exchange controls, expropriation and other restrictive government actions, changes in intellectual property legal protections and remedies, trade regulations and procedures and actions affecting approval, production, pricing, and marketing of, reimbursement for and access to our products, as well as by political unrest, unstable governments and legal systems and inter-governmental disputes. Any of these changes could adversely affect our business.

Many emerging markets have experienced growth rates in excess of developed markets, leading to an increased contribution to the industry's global performance. As a result, we have been employing strategies to grow in emerging markets, including the full integration of emerging markets into each of our three operating segments—the Global Innovative Pharmaceutical segment; the Global Vaccines, Oncology and Consumer Healthcare segment; and the Global Established Pharmaceutical segment. However, there is no assurance that our strategies in emerging markets will be successful or that these countries will continue to sustain these growth rates. In addition, some emerging market countries may be particularly vulnerable to periods of financial instability or significant currency fluctuations or may have limited resources for healthcare spending, which, as discussed above, can adversely affect our results.

Specialty Pharmaceuticals

Specialty pharmaceuticals are medicines that treat rare or life-threatening conditions that typically have smaller patient populations. The growing availability and use of innovative specialty pharmaceuticals, combined with their relative higher cost as compared to other types of pharmaceutical products, has generated payer interest in developing cost-containment strategies targeted to this sector. While the impact of payers' efforts to control access to and pricing of specialty pharmaceuticals has had limited impact on Pfizer to date, a number of factors may lead to a more significant adverse business impact in the future given our growing specialty business portfolio. These include the increasing use of health technology assessment in markets around the world, U.S. PBMs seeking to negotiate greater discounts, deteriorating finances of certain governments and the uptake of biosimilars as they become available.

Consumer Healthcare

The Consumer Healthcare business may be impacted by economic volatility, the timing and severity of the cough, cold and flu season, generic or store brand competition affecting consumer spending patterns and market share gains of competitors' branded products or generic store brands. In addition, regulatory and legislative outcomes regarding the safety, efficacy or unintended uses of specific ingredients in our Consumer Healthcare products may require withdrawal, reformulation and/or relabeling of certain products (e.g., cough/cold products). See *The Global Economic Environment* below.

The Global Economic Environment

In addition to industry-specific factors, we, like other businesses, are exposed to the economic cycle, which impacts our biopharmaceutical operations globally. We believe that patients, who are experiencing increases in co-pays and restrictions on access to medicines as payers seek to control costs, sometimes switch to generic products, delay treatments, skip doses or use less effective treatments. We are exposed to negative pricing pressure in various markets around the world. The U.S. has highly competitive insurance markets. Europe, Japan, China, Canada, South Korea and a number of other international markets have government-mandated reductions in prices and access restrictions for certain biopharmaceutical products to control costs for the government-sponsored healthcare system, particularly under recent global economic pressures. Furthermore, some government agencies and third-party payers use health technology assessments in ways that, at times, lead to restricted access to and lower prices for new medicines.

The global economic environment has not had, nor do we anticipate it will have, a material impact on our liquidity or capital resources. Due to our significant operating cash flows, financial assets, access to capital markets and available lines of credit and revolving credit agreements, we continue to believe that we have, and will maintain, the ability to meet our liquidity needs for the foreseeable future. As market conditions change, we continue to monitor our liquidity position. However, there

can be no assurance that possible future changes in global financial markets and global economic conditions will not affect our liquidity or capital resources or impact our ability to obtain financing in the future.

Other potential impacts of variations in the economic cycle include declining sales; increased costs; changes in foreign exchange rates; a decline in the value of, or a lower rate of return on, our financial assets and pension plan investments, which may require us to increase our pension funding obligations; adverse government actions; delays or failures in the performance of customers, suppliers, and other third parties on whom we may depend for the performance of our business; and the risk that our allowance for doubtful accounts may not be adequate.

Outsourcing

We outsource certain services to third parties in areas including transaction processing, accounting, information technology, manufacturing, clinical trial execution, non-clinical research, safety services and other areas. In 2014, we continued to place the majority of our clinical trial execution services with two strategic clinical research organizations (CROs) and we also utilized another CRO to execute early phase development studies. Service performance issues with these CROs may adversely impact the progression of our clinical trial programs. Outsourcing of services to third parties could also expose us to sub-optimal quality of service delivery, which may result in missed deadlines, supply disruptions, non-compliance or reputational harm, all with potential negative implications for our results.

We continue to pursue a multi-year initiative to outsource some transaction-processing activities within certain accounting processes and are migrating to a consistent enterprise resource planning system across the organization. These are enhancements of ongoing activities to support the growth of our financial shared service capabilities and standardize our financial systems. If any difficulties in the migration to or in the operation of the new system were to occur, they could adversely affect our operations, including, among other ways, through a failure to meet demand for our products, or adversely affect our ability to meet our financial reporting obligations.

Collaborations and Other Relationships with Third Parties

We depend on third-party collaborators, service providers, and others in the development and commercialization of our products and product candidates and also enter into joint ventures and other business development transactions in connection with our business. To achieve expected longer term benefits, substantial upfront payments in such transactions may negatively impact our reported earnings. We rely heavily on these parties for multiple aspects of our drug development and commercialization activities, but we do not control many aspects of those activities. Third parties may not complete activities on schedule or in accordance with our expectations. Failure by one or more of these third parties to meet their contractual, regulatory or other obligations to Pfizer, or any disruption in the relationships between Pfizer and these third parties, could delay or prevent the development, approval or commercialization of our products and product candidates and could also result in non-compliance or reputational harm, all with potential negative implications for our product pipeline and business.

Interactions with Healthcare Professionals and Government Officials

Risks and uncertainties apply where we provide something of value to a healthcare professional and/or government official, which, if found to be improper, could potentially result in government enforcement actions and penalties. These risks may increase as non-U.S. jurisdictions adopt or increase enforcement efforts of new anti-bribery laws and regulations.

Difficulties of Our Wholesale Distributors

In 2014, our largest wholesale distributor accounted for approximately 13% of our total revenue (and 34% of our total U.S. revenue), and our top three wholesale distributors accounted for approximately 32% of our total revenue (and 84% of our total U.S. revenue). If one of our significant wholesale distributors should encounter financial or other difficulties, such distributor might decrease the amount of business that it does with us, and we might be unable to collect all the amounts that the distributor owes us on a timely basis or at all, which could negatively impact our results of operations.

Product Manufacturing and Marketing Risks

Difficulties or delays in product manufacturing or marketing could affect future results through regulatory actions, shut-downs, approval delays, withdrawals, recalls, penalties, supply disruptions or shortages, reputational harm, product liability, unanticipated costs or otherwise. Examples of such difficulties or delays include, but are not limited to, the inability to increase production capacity commensurate with demand; the failure to predict market demand for, or to gain market acceptance of, approved products; the possibility that the supply of incoming materials may be delayed or become unavailable

and that the quality of incoming materials may be substandard and not detected; the possibility that we may fail to maintain appropriate quality standards throughout the internal and external supply network and/or comply with current Good Manufacturing Practices and other applicable regulations such as serialization (which allows for track and trace of products in the supply chain to enhance patient safety); risks to supply chain continuity as a result of natural or man-made disasters at our facilities or at a supplier or vendor, including those that may be related to climate change; or failure to maintain the integrity of our supply chains against intentional and criminal acts such as economic adulteration, product diversion, product theft, and counterfeit goods.

Regulatory agencies periodically inspect our drug manufacturing facilities to ensure compliance with applicable current Good Manufacturing Practices requirements. Failure to comply with these requirements may subject us to possible legal or regulatory actions, such as suspension of manufacturing, seizure of product or voluntary recall of a product.

Counterfeit Products

A counterfeit medicine is one that has been deliberately and fraudulently mislabeled as to its identity and source. A counterfeit Pfizer medicine, therefore, is one manufactured by someone other than Pfizer, but which appears to be the same as an authentic Pfizer medicine. The prevalence of counterfeit medicines is a significant and growing industry-wide issue due to a variety of factors, including, but not limited to, the following: the widespread use of the internet, which has greatly facilitated the ease by which counterfeit medicines can be advertised, purchased and delivered to individual patients; the availability of sophisticated technology that makes it easier for counterfeiters to make counterfeit medicines; the growing involvement in the medicine supply chain of under-regulated wholesalers and repackagers; the importation of medicines across borders; and the relatively modest risk of penalties faced by counterfeiters. Further, laws against pharmaceutical counterfeiting vary greatly from country to country, and the enforcement of existing law varies greatly from jurisdiction to jurisdiction. For example, in some countries, pharmaceutical counterfeiting is not a crime; in others, it may result in only minimal sanctions. In addition, those involved in the distribution of counterfeit medicines use complex transport routes in order to evade customs controls by disguising the true source of their products.

Counterfeit medicines pose a risk to patient health and safety because of the conditions under which they are manufactured—often in unregulated, unlicensed, uninspected and unsanitary sites—as well as the lack of regulation of their contents. Failure to mitigate the threat of counterfeit medicines, which is exacerbated by the complexity of the supply chain, could adversely impact our business, by, among other things, causing the loss of patient confidence in the Pfizer name and in the integrity of our medicines, potentially resulting in lost sales, product recalls, and an increased threat of litigation.

We undertake significant efforts to counteract the threats associated with counterfeit medicines, including, among other things, working with the FDA and other regulatory authorities and multinational coalitions to combat the counterfeiting of medicines and supporting efforts by law enforcement authorities to prosecute counterfeiters; assessing new and existing technologies to seek to make it more difficult for counterfeiters to copy our products and easier for patients and healthcare providers to distinguish authentic from counterfeit medicines; implementing business practices designed to protect patient health; promoting public policies intended to hinder counterfeiting; working diligently to raise public awareness about the dangers of counterfeit medicines; and working collaboratively with wholesalers, pharmacies, customs offices, and law enforcement agencies to increase inspection coverage, monitor distribution channels, and improve surveillance of distributors and repackagers. No assurance can be given, however, that our efforts and the efforts of others will be entirely successful, and the presence of counterfeit medicines may continue to increase.

Cost and Expense Control/Unusual Events/Failure to Realize the Anticipated Benefits of Strategic Initiatives and Acquisitions/Intangible Assets and Goodwill

Growth in costs and expenses, changes in product, segment and geographic mix and the impact of acquisitions, divestitures, restructurings, internal reorganizations, product withdrawals, recalls and other unusual events that could result from evolving business strategies, evaluation of asset realization and organizational restructuring could adversely affect future results. Such risks and uncertainties include, in particular, our ability to realize the projected benefits of (i) our cost-reduction and productivity initiatives, including those related to our R&D organization; (ii) our internal separation of our commercial operations into our new operating structure; (iii) any other corporate strategic initiatives; (iv) any acquisitions, divestitures or other initiatives; and (v) our proposed acquisition of Hospira.

In addition, our consolidated balance sheet contains significant amounts of intangible assets, including goodwill. For IPR&D assets, the risk of failure is significant, and there can be no certainty that these assets will ultimately yield successful products. The nature of the biopharmaceutical business is high-risk and requires that we invest in a large number of projects in an effort to achieve a successful portfolio of approved products. Our ability to realize value on these significant investments is

often contingent upon, among other things, regulatory approvals and market acceptance. As such, we expect that many of these IPR&D assets will become impaired and be written off at some time in the future. For goodwill, all reporting units can confront events and circumstances that can lead to a goodwill impairment charge (such as, among other things, unanticipated competition, an adverse action or assessment by a regulator, a significant adverse change in legal matters or in the business climate and/or a failure to replace the contributions of products that lose exclusivity). Any such charges may be significant. Our other intangible assets, including developed technology rights and brands, face similar risks for impairment and charges related to such assets may be significant as well.

Changes in Laws and Accounting Standards

Our future results could be adversely affected by changes in laws and regulations, including, among others, changes in accounting standards, taxation requirements (including tax rate changes, new tax laws and revised tax law and regulatory interpretations, including changes affecting the taxation by the U.S. of income earned outside the U.S. that may result from pending and possible future proposals), competition laws, privacy laws and environmental laws in the U.S. and other countries.

Terrorist Activity

Our future results could be adversely affected by changes in business, political and economic conditions, including the cost and availability of insurance, due to the threat of terrorist activity in the U.S. and other parts of the world and related U.S. military action overseas.

Legal Proceedings

We and certain of our subsidiaries are involved in various patent, product liability, consumer, commercial, securities, antitrust, environmental, employment and tax litigations and claims, government investigations and other legal proceedings that arise from time to time in the ordinary course of our business. Litigation is inherently unpredictable, and excessive verdicts do occur. Although we believe we have substantial defenses in these matters, we could in the future incur judgments, enter into settlements of claims or revise our expectations regarding the outcomes of certain matters, and such developments could have a material adverse effect on our results of operations in the period in which the amounts are accrued and/or our cash flows in the period in which the amounts are paid.

Our activities relating to the sale and marketing and the pricing of our products are subject to extensive regulation under the U.S. Federal Food, Drug, and Cosmetic Act, the Medicaid Drug Rebate Program, the FCPA and other federal and state statutes, including those discussed elsewhere in this 2014 Form 10-K, as well as anti-kickback and false claims laws, and similar laws in international jurisdictions. Like many companies in our industry, we have from time to time received inquiries and subpoenas and other types of information demands from government authorities, and been subject to claims and other actions related to our business activities brought by governmental authorities, as well as by consumers and private payers. In some instances, we have incurred significant expense, civil payments, fines and other adverse consequences as a result of these claims, actions and inquiries. For example, these claims, actions and inquiries may relate to alleged failures to accurately interpret or identify or prevent non-compliance with the laws and regulations associated with the dissemination of product information (approved and unapproved), potentially resulting in government enforcement and damage to our reputation. This risk may be heightened by digital marketing, including social media, mobile applications and blogger outreach.

In connection with the resolution of certain U.S. government investigations concerning various products in September 2009, we entered into a Corporate Integrity Agreement (CIA) with the Office of Inspector General (OIG). While the compliance obligations expired on December 31, 2014, certain reporting requirements with respect to those compliance obligations continue into 2015 and a material failure to comply with the CIA through the end of its term could result in severe sanctions against us pursuant to the CIA penalty provisions. These penalty provisions will expire once the OIG officially notifies Pfizer that its final report to the OIG is complete and that the OIG has no further questions. The Deferred Prosecution Agreement, which one of our subsidiaries entered into with the U.S. Department of Justice in August 2012 and in connection with the resolution of Foreign Corrupt Practices Act matters, also expired in 2014.

Claims against our patents include challenges to the coverage and/or validity of our patents on various products or processes. Although we believe we have substantial defenses to these challenges with respect to all our material patents, there can be no assurance as to the outcome of these matters, and a loss in any of these cases could result in a loss of patent protection for the drug at issue, which could lead to a significant loss of sales of that drug and could materially affect future results of operations.

Business Development Activities

We expect to continue to enhance our in-line products and product pipeline through acquisitions, licensing and alliances. See the *Overview of Our Performance, Operating Environment, Strategy and Outlook—Our Business Development Initiatives* section in our 2014 Financial Report, which is incorporated by reference. However, these enhancement plans are subject to the availability and cost of appropriate opportunities, competition from other pharmaceutical companies that are seeking similar opportunities and our ability to successfully identify, structure and execute transactions, including the ability to satisfy the conditions to closing of announced transactions (including the Hospira acquisition) in the anticipated timeframe or at all, and integrate acquisitions. Further, while we seek to mitigate risks and liabilities of such transactions through, among other things, due diligence, there may be risks and liabilities that such due diligence efforts fail to discover, that are not disclosed to us, or that we inadequately assess.

Information Technology and Security

Significant disruptions of information technology systems or breaches of information security could adversely affect our businesses. We rely to a large extent upon sophisticated information technology systems to operate our businesses. In the ordinary course of business, we collect, store and transmit large amounts of confidential information (including, but not limited to, personal information and intellectual property), and it is critical that we do so in a secure manner to maintain the confidentiality and integrity of such confidential information. We also have outsourced significant elements of our operations to third parties, including significant elements of our information technology infrastructure and, as a result, we are managing many independent vendor relationships with third parties who may or could have access to our confidential information. The size and complexity of our information technology and information security systems, and those of our third-party vendors with whom we contract (and the large amounts of confidential information that is present on them), make such systems potentially vulnerable to service interruptions or to security breaches from inadvertent or intentional actions by our employees or vendors, or from attacks by malicious third parties. Such attacks are of ever-increasing levels of sophistication and are made by groups and individuals with a wide range of motives (including, but not limited to, industrial espionage) and expertise, including organized criminal groups, "hacktivists," nation states and others. As a global pharmaceutical company, our systems are subject to frequent attacks. Due to the nature of some of these attacks, there is a risk that they may remain undetected for a period of time. While we have invested in the protection of data and information technology, there can be no assurance that our efforts will prevent service interruptions or security breaches. Any such interruption or breach of our systems could adversely affect our business operations and/or result in the loss of critical or sensitive confidential information or intellectual property, and could result in financial, legal, business and reputational harm to us. We maintain cyber liability insurance; however this insurance may not be sufficient to cover the financial, legal, business or reputational losses that may result from an interruption or breach of our systems.

Environmental Claims and Proceedings

We and certain of our subsidiaries are subject to contingencies arising in the ordinary course of business relating to environmental claims and proceedings. Amounts recorded for contingencies can result from a complex series of judgments about future events and uncertainties and can rely heavily on estimates and assumptions. While we have accrued for worldwide environmental liabilities, there is no guarantee that additional costs will not be incurred beyond the amounts accrued. If we fail to properly manage the safety of our facilities and the environmental risks associated therewith or if we are required to increase our accruals for contingencies for environmental claims and proceedings in the future, it could potentially have an adverse effect on our results of operations.

Hospira Acquisition

We may fail to realize all of the anticipated benefits of the proposed acquisition.

The success of our proposed acquisition of Hospira will depend, in part, on our ability to realize the anticipated benefits and cost savings from combining our businesses. The anticipated benefits and cost savings of the proposed acquisition may not be realized fully or at all, or may take longer to realize than expected. The integration process may, for each company, result in the loss of key employees, the disruption of ongoing businesses or inconsistencies in standards, controls, procedures and policies. If the proposed acquisition is not completed, our ongoing business and financial results may be adversely affected.

The required shareholder and regulatory approvals may not be obtained or the regulatory approvals may contain materially burdensome conditions that could have an adverse effect on us.

Completion of the proposed acquisition is conditioned upon the approval of Hospira's shareholders and the receipt of certain governmental approvals, including, without limitation, the expiration or termination of the applicable waiting period under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended, as well as the receipt of all regulatory clearances under the antitrust laws of several other jurisdictions, including the EU. Although Pfizer and Hospira have agreed in the merger agreement to use their reasonable best efforts to obtain the requisite shareholder and governmental approvals, there can be no assurance that these approvals will be obtained and that the other conditions to closing will be satisfied. In addition, the governmental authorities from which the regulatory approvals are required may impose conditions on the completion of the proposed acquisition or require changes to the terms of the proposed acquisition. Under the terms of the merger agreement, we are required, if necessary to receive antitrust approval, to make divestitures of assets so long as such divestitures would not result in the sale of assets of either us or Hospira that generated revenue in excess of $450 million during the twelve months ended September 30, 2014. Failure to complete the proposed acquisition could negatively impact our stock price and our future business and financial results.

The market value of our common stock may be adversely affected as a result of financial statement charges and cash costs associated with the proposed transaction.

We could encounter transaction- and integration-related costs or other factors, such as the failure to realize benefits anticipated from the proposed transaction, which could negatively impact the projected financial consequences of the proposed transaction.

We expect to account for the proposed merger using the acquisition method of accounting, which will result in charges to our earnings that could adversely affect our reported operating results. Under this method, we will allocate the total purchase price to the assets acquired and liabilities assumed from Hospira based on their fair values as of the date of the completion of the proposed merger, and record any excess of the purchase price over those fair values as goodwill. For certain tangible and intangible assets, reevaluating fair value as of the completion date of the proposed merger will result in Pfizer incurring additional depreciation and/or amortization expense that exceed the combined amounts recorded by Pfizer and Hospira prior to the proposed merger. This increased expense will be recorded by us over the useful lives of the underlying assets. In addition, to the extent the value of goodwill or intangible assets were to become impaired, we may be required to incur charges relating to the impairment of those assets.

We expect to incur a number of non-recurring costs associated with the integration process. The substantial majority of such expenses will be comprised of transaction costs, facilities and systems consolidation costs and employment-related costs, although certain unanticipated costs may be incurred as well, such as potential costs related to litigation seeking to prevent the proposed acquisition. We expect that the elimination of duplicative costs and the realization of other efficiencies related to the integration of the businesses will allow us to more than offset incremental transaction- and integration-related costs over time, but this net benefit may not be achieved in the near term, or at all.

ITEM 1B. UNRESOLVED STAFF COMMENTS

Not applicable.

ITEM 2. PROPERTIES

In 2014, we continued to consolidate operations to achieve efficiencies and dispose of excess space. We have 513 owned and leased properties, amounting to approximately 49 million square feet. Our goal is to continue consolidation in 2015.

In 2014, we reduced the number of properties in our portfolio with the disposal of surplus real property assets and with reductions of operating space in all regions. In addition, in June 2013, in connection with the full disposition of our Animal Health business, we exited properties associated with our Animal Health business.

Pfizer continues to own and lease space around the world for sales and marketing, customer service, regulatory compliance, R&D, manufacturing and distribution, and administrative support functions. In many locations, business lines and operations are co-located to achieve synergy and operational efficiencies.

Pfizer's corporate headquarters are in New York City and Pfizer's properties extend internationally to over 75 countries.

Our Worldwide R&D facilities support our R&D organizations around the world, with a heavy concentration in North America. In 2014, we continued to streamline our R&D locations, including the concentration of our Cambridge, Massachusetts operations into Kendall Square.

Our Pfizer Global Supply (PGS) Division is headquartered in various locations, with leadership teams primarily in New York, New York and in Peapack, New Jersey. PGS operates 55 plants around the world, which manufacture products for our commercial divisions. Locations with major manufacturing facilities include Belgium, China, Germany, Ireland, Italy, Japan, Puerto Rico, Singapore and the U.S. Our PGS Division's plant network strategy is expected to result in the exit of seven of these sites over the next several years. PGS also operates multiple distribution facilities around the world.

In general, we believe that our properties are well-maintained, adequate and suitable for their current requirements and for our operations in the foreseeable future. See the Notes to Consolidated Financial Statements—*Note 9. Property, Plant and Equipment* in our 2014 Financial Report, which provides amounts invested in land, buildings and equipment and which is incorporated by reference. See also the discussion in the Notes to Consolidated Financial Statements—*Note 15. Lease Commitments* in our 2014 Financial Report, which is also incorporated by reference.

ITEM 3. LEGAL PROCEEDINGS

Certain legal proceedings in which we are involved are discussed in the Notes to Consolidated Financial Statements—*Note 17. Commitments and Contingencies* in our 2014 Financial Report, which is incorporated by reference.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

EXECUTIVE OFFICERS OF THE COMPANY

The executive officers of the Company are set forth in this table. Each holds the office or offices indicated until his or her successor is chosen and qualified at the regular meeting of the Board of Directors to be held on the date of the 2015 Annual Meeting of Shareholders. Each of the executive officers is a member of the Pfizer Executive Leadership Team.

Name	Age	Position
Ian C. Read	61	Chairman of the Board and Chief Executive Officer of Pfizer since December 2011. President and Chief Executive Officer from December 2010. Previously, he served as Senior Vice President and Group President of the Worldwide Biopharmaceutical Businesses, which he led from 2006 through December 2010. In that role, he oversaw five global business units—Primary Care, Specialty Care, Oncology, Established Products and Emerging Markets. Mr. Read began his career with Pfizer in 1978 as an operational auditor. He worked in Latin America through 1995, holding positions including Chief Financial Officer, Pfizer Mexico, and Country Manager, Pfizer Brazil. In 1996, he was appointed President of Pfizer's International Pharmaceuticals Group, with responsibility for Latin America and Canada. He became Executive Vice President, Europe, in 2000, was named a Corporate Vice President in 2001, and assumed responsibility for Canada, in addition to Europe, in 2002. Mr. Read later became accountable for operations in both the Africa/Middle East region and Latin America as well. Director of Kimberly-Clark Corporation. Mr. Read serves on the Boards of Pharmaceutical Research and Manufacturers of America (PhRMA) and the Partnership of New York City. Member of the President's Export Council and U.S.-China Business Council. Our Director since December 2010.
Albert Bourla	53	Group President, Vaccines, Oncology and Consumer Healthcare since January 2014. President and General Manager of Established Products Business Unit from December 2010 until December 2013. Area President Europe, Africa, Asia and Pacific of Pfizer Animal Health from 2009 until November 2010. Area President Europe, Africa and Middle East of Pfizer Animal Health from 2005 until 2009.
Frank A. D'Amelio	57	Executive Vice President, Business Operations and Chief Financial Officer since December 2010. Senior Vice President and Chief Financial Officer from September 2007 until December 2010. Prior to joining Pfizer, he was Senior Executive Vice President of Integration and Chief Administrative Officer of Alcatel-Lucent from November 2006 until August 2007. Director of Zoetis Inc. and of Humana Inc. and Chair of the Humana Audit Committee. He is a Director of the Independent College Fund of New Jersey and the Gillen Brewer School.
Mikael Dolsten	56	President of Worldwide Research and Development since December 2010. Senior Vice President; President of Worldwide Research and Development from May 2010 until December 2010. Senior Vice President; President of Pfizer BioTherapeutics Research & Development Group from October 2009 until May 2010. He was Senior Vice President of Wyeth and President, Wyeth Research from June 2008 until October 2009. He was a Private Equity Partner at Orbimed Advisors, LLC from January 2008 until June 2008.
Geno J. Germano	54	Group President, Global Innovative Pharma Business since January 2014. President and General Manager, Pfizer Specialty Care and Oncology from December 2010 until December 2013. President and General Manager, Specialty Care from October 2009 until December 2010. President, U.S. Pharmaceuticals and Women's Health Care Unit, Wyeth Pharmaceuticals from 2008 through October 2009. President and General Manager, U.S. Pharmaceutical Business Unit, Wyeth Pharmaceuticals from 2007 through 2008. Member of the Board of Trustees for Albany College of Pharmacy and Health Sciences and Member of the Board of Directors of BIO - Biotechnology Industry Organization. Director of Zoetis Inc. from July 2012 until June 2013.
Charles H. Hill III	59	Executive Vice President, Worldwide Human Resources since December 2010. Senior Vice President, Human Resources for Worldwide Biopharmaceuticals Businesses from 2008 through December 2010. Vice President, Human Resources, Worldwide Pharmaceutical Operations from 2004 through 2008. Director of Zoetis Inc. from July 2012 until June 2013.
Rady A. Johnson	53	Executive Vice President, Chief Compliance and Risk Officer since December 2013. Senior Vice President and Associate General Counsel from October 2006 until December 2013.

Name	Age	Position
Douglas M. Lankler	49	Executive Vice President and General Counsel since December 2013. Corporate Secretary from January 2014 until February 2014. Executive Vice President, Chief Compliance and Risk Officer from February 2011 until December 2013. Executive Vice President, Chief Compliance Officer from December 2010 until February 2011. Senior Vice President and Chief Compliance Officer from January 2010 until December 2010. Senior Vice President, Deputy General Counsel and Chief Compliance Officer from August 2009 until January 2010. Senior Vice President, Associate General Counsel and Chief Compliance Officer from October 2006 until August 2009.
Freda C. Lewis-Hall	59	Executive Vice President, Chief Medical Officer since December 2010. Senior Vice President, Chief Medical Officer from May 2009 until December 2010. Previously, she was Chief Medical Officer and Executive Vice President, Medicines Development at Vertex Pharmaceuticals from June 2008 until May 2009. Dr. Lewis-Hall was Senior Vice President, U.S. Pharmaceuticals, Medical Affairs for Bristol-Myers Squibb Company from 2003 until May 2008. Director of Tenet Healthcare Corporation.
Anthony J. Maddaluna	62	Executive Vice President; President, Pfizer Global Supply since January 2013. President, Pfizer Global Supply from 2011 until December 2012. Senior Vice President, Strategy & Supply Network Transformation from 2009 until December 2010. Vice President, Strategy & Supply Network Transformation from 2008 until 2009. Vice President and Team Leader, Europe from 1998 until 2008 including responsibility for global logistics and strategic planning from 2005 through 2008. Mr. Maddaluna represents Pfizer on the National Association of Manufacturers (NAM) and is a member of the NAM Executive Committee.
Laurie J. Olson	51	Executive Vice President, Strategy, Portfolio and Commercial Operations since July 2012. Senior Vice President - Strategy and Portfolio Management from 2011 until July 2012. Senior Vice President - Portfolio Management and Analytics from 2008 until 2010. Since joining Pfizer in 1987 as an Analyst in the Company's marketing research organization, Ms. Olson has served in a variety of marketing leadership positions with increasing responsibility in both the Company's U.S. and global commercial organizations.
Sally Susman	53	Executive Vice President, Corporate Affairs (formerly Policy, External Affairs and Communications) since December 2010. Senior Vice President, Policy, External Affairs and Communications from December 2009 until December 2010. Senior Vice President and Chief Communications Officer from February 2008 until December 2009. Prior to joining Pfizer, Ms. Susman held senior level positions at The Estée Lauder Companies, including Executive Vice President from 2004 to January 2008. Director of WPP plc.
John D. Young	50	Group President, Global Established Pharma Business since January 2014. President and General Manager, Pfizer Primary Care from June 2012 until December 2013. Primary Care Business Unit's Regional President for Europe and Canada from 2009 until June 2012. U.K. Country Manager from 2007 until 2009.

PART II

ITEM 5. MARKET FOR THE COMPANY'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

The principal market for our common stock is the New York Stock Exchange (NYSE). Our stock is also listed on the NYSE Euronext Brussels Exchange, the London Stock Exchange and the SIX Swiss Stock Exchange, and is traded on various U.S. regional stock exchanges. As of January 30, 2015, there were 186,315 holders of record of our common stock. Additional information required by this item is incorporated by reference from the *Quarterly Consolidated Financial Data (Unaudited)* and *Peer Group Performance Graph* sections in our 2014 Financial Report.

The following table provides certain information with respect to our purchases of shares of the Company's common stock during the fourth fiscal quarter of 2014:

Issuer Purchases of Equity Securities[a]

Period	Total Number of Shares Purchased[b]	Average Price Paid per Share[b]	Total Number of Shares Purchased as Part of Publicly Announced Plan[a]	Approximate Dollar Value of Shares that May Yet Be Purchased Under the Plan[a]
September 29, 2014 through October 26, 2014	14,485,917	$ 29.00	14,450,208	$ 12,295,977,252
October 27, 2014 through November 30, 2014	16,124,490	$ 29.90	16,054,940	$ 11,815,986,461
December 1, 2014 through December 31, 2014	9,595,931	$ 31.45	9,535,600	$ 11,516,011,467
Total	40,206,338	$ 29.94	40,040,748	

(a) On June 27, 2013, we announced that the Board of Directors had authorized a $10 billion share-purchase plan (the June 2013 Stock Purchase Plan), and share purchases commenced thereunder in October 2013. On October 23, 2014, we announced that the Board of Directors had authorized an additional $11 billion share-purchase plan.

(b) In addition to amounts purchased under the June 2013 Stock Purchase Plan, these columns reflect the following transactions during the fourth quarter of 2014: (i) the surrender to Pfizer of 94,043 shares of common stock to satisfy tax withholding obligations in connection with the vesting of restricted stock units issued to employees; (ii) the open market purchase by the trustee of 25,378 shares of common stock in connection with the reinvestment of dividends paid on common stock held in trust for employees who were granted performance share awards and who deferred receipt of such awards; (iii) the surrender to Pfizer of 42,169 shares of common stock to satisfy tax withholding obligations in connection with the vesting of performance share awards issued to employees; and (iv) the surrender to Pfizer of 4,000 shares of common stock to pay the exercise price and to satisfy tax withholding obligations in connection with the exercise of employee stock options.

On February 9, 2015, we entered into an accelerated share repurchase agreement with Goldman, Sachs & Co. This agreement was entered into pursuant to Pfizer's previously announced share repurchase authorization. For additional information, see the Notes to Consolidated Financial Statements—*Note 19. Subsequent Events* in our 2014 Financial Report, which is incorporated by reference.

ITEM 6. SELECTED FINANCIAL DATA

Information required by this item is incorporated by reference from the discussion under the heading *Financial Summary* in our 2014 Financial Report.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Information required by this item is incorporated by reference from the discussion under the heading *Financial Review* in our 2014 Financial Report.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Information required by this item is incorporated by reference from the discussion under the *Forward-Looking Information and Factors That May Affect Future Results—Financial Risk Management* section in our 2014 Financial Report.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

Information required by this item is incorporated by reference from the *Report of Independent Registered Public Accounting Firm on the Consolidated Financial Statements* in our 2014 Financial Report and from the consolidated financial statements, related notes and supplementary data in our 2014 Financial Report.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

ITEM 9A. CONTROLS AND PROCEDURES

Disclosure Controls

As of the end of the period covered by this 2014 Form 10-K, we carried out an evaluation, under the supervision and with the participation of our principal executive officer and principal financial officer, of the effectiveness of the design and operation of our disclosure controls and procedures (as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act). Based on this evaluation, our principal executive officer and principal financial officer concluded that our disclosure controls and procedures are effective in alerting them in a timely manner to material information required to be disclosed in our periodic reports filed with the SEC.

Internal Control over Financial Reporting

Management's report on the Company's internal control over financial reporting (as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act), and the related report of our independent registered public accounting firm, are included in our 2014 Financial Report under the headings *Management's Report on Internal Control Over Financial Reporting* and *Report of Independent Registered Public Accounting Firm on Internal Control Over Financial Reporting*, respectively, and are incorporated by reference.

Changes in Internal Controls

During our most recent fiscal quarter, there has not been any change in our internal control over financial reporting (as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

ITEM 9B. OTHER INFORMATION

Not applicable.

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

Information about our Directors is incorporated by reference from the discussion under the heading *Proposals Requiring Your Vote—Item 1—Election of Directors* in our 2015 Proxy Statement. Information about compliance with Section 16(a) of the Exchange Act is incorporated by reference from the discussion under the heading *Securities Ownership—Section 16(a) Beneficial Ownership Reporting Compliance* in our 2015 Proxy Statement. Information about the Pfizer Policies on Business Conduct governing our employees, including our Chief Executive Officer, Chief Financial Officer and Principal Accounting Officer, and the Code of Business Conduct and Ethics for Members of the Board of Directors, is incorporated by reference from the discussions under the headings *Governance of the Company—Governance Information—Pfizer Policies on Business Ethics and Conduct* and *—Code of Conduct for Directors* in our 2015 Proxy Statement. Information regarding the procedures by which our stockholders may recommend nominees to our Board of Directors is incorporated by reference from the discussion under the headings *Governance of the Company—Governance Information—Criteria for Board Membership* and *Requirements for Submitting Proxy Proposals and Nominating Directors* in our 2015 Proxy Statement. Information about our Audit Committee, including the members of the Committee, and our Audit Committee financial experts, is incorporated by reference from the discussion under the heading *Governance of the Company—Board and Committee Information—The Audit Committee* in our 2015 Proxy Statement. The balance of the information required by this item is contained in the discussion entitled *Executive Officers of the Company* in Part I of this 2014 Form 10-K.

ITEM 11. EXECUTIVE COMPENSATION

Information about Director and executive compensation is incorporated by reference from the discussion under the headings *Compensation of Non-Employee Directors*; *Executive Compensation*; and *Governance of the Company—Board and Committee Information—The Compensation Committee—Compensation Committee Interlocks and Insider Participation* in our 2015 Proxy Statement.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

Information required by this item is incorporated by reference from the discussion under the headings *Executive Compensation—Equity Compensation Plan Information* and *Securities Ownership* in our 2015 Proxy Statement.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

Information about certain relationships and transactions with related parties is incorporated by reference from the discussion under the headings *Related Person Transactions and Indemnification—Transactions with Related Persons* in our 2015 Proxy Statement. Information about director independence is incorporated by reference from the discussion under the heading *Governance of the Company—Governance Information—Director Independence* in our 2015 Proxy Statement.

ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES

Information about the fees for professional services rendered by our independent registered public accounting firm in 2014 and 2013 is incorporated by reference from the discussion under the heading *Proposals Requiring Your Vote—Item 2—Ratification of Selection of Independent Registered Public Accounting Firm—Audit and Non-Audit Fees* in our 2015 Proxy Statement. Our Audit Committee's policy on pre-approval of audit and permissible non-audit services of our independent registered public accounting firm is incorporated by reference from the discussion under the heading *Proposals Requiring Your Vote—Item 2—Ratification of Selection of Independent Registered Public Accounting Firm—Policy on Audit Committee Pre-Approval of Audit and Permissible Non-Audit Services of Independent Registered Public Accounting Firm* in our 2015 Proxy Statement.

PART IV

ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES

15(a)(1) Financial Statements. The following consolidated financial statements, related notes, report of independent registered public accounting firm and supplementary data from our 2014 Financial Report are incorporated by reference into Item 8 of Part II of this 2014 Annual Report on Form 10-K:

- Report of Independent Registered Public Accounting Firm on the Consolidated Financial Statements
- Consolidated Statements of Income
- Consolidated Statements of Comprehensive Income
- Consolidated Balance Sheets
- Consolidated Statements of Equity
- Consolidated Statements of Cash Flows
- Notes to Consolidated Financial Statements
- Quarterly Consolidated Financial Data (Unaudited)

15(a)(2) Financial Statement Schedules. Schedules are omitted because they are not required or because the information is provided elsewhere in the financial statements. The financial statements of unconsolidated subsidiaries are omitted because, considered in the aggregate, they would not constitute a significant subsidiary.

15(a)(3) Exhibits. These exhibits are available upon request. Requests should be directed to our Corporate Secretary, Pfizer Inc., 235 East 42nd Street, New York, New York 10017-5755. The exhibit numbers preceded by an asterisk (*) indicate exhibits filed with this 2014 Annual Report on Form 10-K. All other exhibit numbers indicate exhibits filed by incorporation by reference. Exhibit numbers 10.1 through 10.32 are management contracts or compensatory plans or arrangements.

2.1	Agreement and Plan of Merger, dated as of February 5, 2015, among Pfizer Inc., Perkins Holding Company and Hospira, Inc. is incorporated by reference from our Current Report on Form 8-K filed on February 6, 2015 (File No. 001-03619). (Pursuant to Item 601(b)(2) of Regulation S-K, the registrant hereby agrees to supplementally furnish to the Securities and Exchange Commission upon request any omitted schedule or exhibit to the Merger Agreement.)
3.1	Our Restated Certificate of Incorporation dated April 12, 2004, is incorporated by reference from our Quarterly Report on Form 10-Q for the period ended March 28, 2004 (File No. 001-03619).
3.2	Amendment dated May 1, 2006 to Restated Certificate of Incorporation dated April 12, 2004, is incorporated by reference from our Quarterly Report on Form 10-Q for the period ended July 2, 2006 (File No. 001-03619).
3.3	Our By-laws, as amended December 16, 2013, are incorporated by reference from our Current Report on Form 8-K filed on December 19, 2013 (File No. 001-03619).
4.1	Indenture, dated as of January 30, 2001, between us and The Chase Manhattan Bank, is incorporated by reference from our Current Report on Form 8-K filed on January 30, 2001 (File No. 001-03619).
4.2	First Supplemental Indenture, dated as of March 24, 2009, between us and The Bank of New York Mellon (successor to JPMorgan Chase Bank, N.A. (formerly JPMorgan Chase Bank, formerly The Chase Manhattan Bank)), as Trustee, to Indenture dated as of January 30, 2001, is incorporated by reference from our Quarterly Report on Form 10-Q for the period ended June 28, 2009 (File No. 001-03619).
4.3	Second Supplemental Indenture, dated as of June 2, 2009, between us and The Bank of New York Mellon (successor to JPMorgan Chase Bank, N.A. (formerly JPMorgan Chase Bank, formerly The Chase Manhattan Bank)), as Trustee, to Indenture dated as of January 30, 2001, is incorporated by reference from our Current Report on Form 8-K filed on June 3, 2009 (File No. 001-03619).
4.4	Third Supplemental Indenture, dated as of June 3, 2013, between us and The Bank of New York Mellon (successor to JPMorgan Chase Bank, N.A. (formerly JPMorgan Chase Bank, formerly The Chase Manhattan Bank)), as Trustee, to Indenture dated as of January 30, 2001, is incorporated by reference from our Current Report on Form 8-K filed on June 3, 2013 (File No. 001-03619).

4.5	Fourth Supplemental Indenture, dated as of May 15, 2014, between us and The Bank of New York Mellon (successor to JPMorgan Chase Bank, N.A. (formerly JPMorgan Chase Bank, formerly The Chase Manhattan Bank)), as Trustee, to Indenture dated as of January 30, 2001, is incorporated by reference from our 8-K report filed on May 15, 2014 (File No. 001-03619).
4.6	Indenture, dated as of April 10, 1992, between Wyeth and The Bank of New York Mellon (as successor to JPMorgan Chase Bank, N.A.), as Trustee, is incorporated by reference from Wyeth's Registration Statement on Form S-3 (File No. 33-57339), filed on January 18, 1995.
4.7	Supplemental Indenture, dated as of October 13, 1992, between Wyeth and The Bank of New York Mellon (as successor to JPMorgan Chase Bank, N.A.), as Trustee, is incorporated by reference from Wyeth's Registration Statement on Form S-3 (File No. 33-57339), filed on January 18, 1995.
4.8	Fifth Supplemental Indenture, dated as of December 16, 2003, between Wyeth and The Bank of New York Mellon (as successor to JPMorgan Chase Bank, N.A.), as Trustee, is incorporated by reference from Wyeth's 2003 Annual Report on Form 10-K (File No. 001-01225).
4.9	Sixth Supplemental Indenture, dated as of November 14, 2005, between Wyeth and The Bank of New York Mellon (as successor to JPMorgan Chase Bank, N.A.), as Trustee, is incorporated by reference from Wyeth's Current Report on Form 8-K filed on November 15, 2005 (File No. 001-01225).
4.10	Seventh Supplemental Indenture, dated as of March 27, 2007, between Wyeth and The Bank of New York Mellon (as successor to JPMorgan Chase Bank, N.A.), as Trustee, is incorporated by reference from Wyeth's Current Report on Form 8-K filed on March 28, 2007 (File No. 001-01225).
4.11	Eighth Supplemental Indenture, dated as of October 30, 2009, between Wyeth, us and The Bank of New York Mellon (as successor to JPMorgan Chase Bank, formerly The Chase Manhattan Bank), as Trustee, to Indenture dated as of April 10, 1992 (as amended on October 13, 1992), is incorporated by reference from our Current Report on Form 8-K filed on November 3, 2009 (File No. 001-03619).
4.12	Except as set forth in Exhibits 4.1-11 above, the instruments defining the rights of holders of long-term debt securities of the Company and its subsidiaries have been omitted.[1]
10.1	2001 Stock and Incentive Plan is incorporated by reference from our Proxy Statement for the 2001 Annual Meeting of Shareholders (File No. 001-03619).
10.2	Pfizer Inc. 2004 Stock Plan, as Amended and Restated is incorporated by reference from our 2011 Annual Report on Form 10-K (File No. 001-03619).
10.3	Form of Stock Option Grant Notice and Summary of Key Terms is incorporated by reference from our Quarterly Report on Form 10-Q for the period ended September 26, 2004 (File No. 001-03619).
10.4	Form of Executive Grant Letter is incorporated by reference from our 2012 Annual Report on Form 10-K (File No. 001-03619).
10.5	Amended and Restated Nonfunded Supplemental Retirement Plan, together with all material Amendments is incorporated by reference from our 2011 Annual Report on Form 10-K (File No. 001-03619).
10.6	Amended and Restated Nonfunded Deferred Compensation and Supplemental Savings Plan is incorporated by reference from our 2012 Annual Report on Form 10-K (File No. 001-03619).
10.7	Amendment to Amended and Restated Nonfunded Deferred Compensation and Supplemental Savings Plan, dated June 20, 2013, is incorporated by reference from our 2013 Annual Report on Form 10-K (File No. 001-03619).
*10.8	Amendment No. 2 to Amended and Restated Nonfunded Deferred Compensation and Supplemental Savings Plan, dated December 10, 2014.
10.9	Pfizer Inc. Global Performance Plan is incorporated by reference from our Quarterly Report on Form 10-Q for the period ended September 28, 2014 (File No. 001-03619).
10.10	Executive Annual Incentive Plan is incorporated by reference from our 2012 Annual Report on Form 10-K (File No. 001-03619).
10.11	Amended and Restated Deferred Compensation Plan is incorporated by reference from our 2012 Annual Report on Form 10-K (File No. 001-03619).
10.12	Amendment to Amended and Restated Deferred Compensation Plan, dated June 20, 2013, is incorporated by reference from our 2013 Annual Report on Form 10-K (File No. 001-03619).
10.13	Non-Employee Directors' Retirement Plan (frozen as of October 1996) is incorporated by reference from our 1996 Annual Report on Form 10-K (File No. 001-03619).

[1] We agree to furnish to the SEC, upon request, a copy of each instrument with respect to issuances of long-term debt of the Company and its subsidiaries.

10.14	Restricted Stock Plan for Non-Employee Directors is incorporated by reference from our 1996 Annual Report on Form 10-K (File No. 001-03619).
10.15	Wyeth 2005 (409A) Deferred Compensation Plan (frozen as of January 2012), together with all material Amendments, is incorporated by reference from our 2013 Annual Report on Form 10-K (File No. 001-03619).
10.16	Amended and Restated Wyeth Supplemental Employee Savings Plan (effective as of January 1, 2005 and frozen as of January 2012), together with all material Amendments is incorporated by reference from our 2011 Annual Report on Form 10-K (File No. 001-03619).
10.17	Amendment to Amended and Restated Wyeth Supplemental Employee Savings Plan, dated June 20, 2013, is incorporated by reference from our 2013 Annual Report on Form 10-K (File No. 001-03619).
10.18	Pfizer Inc. 2014 Stock Plan is incorporated by reference from our Proxy Statement for the 2014 Annual Meeting of Shareholders (File No. 001-03619).
10.19	Amended and Restated Wyeth Supplemental Executive Retirement Plan (effective as of January 1, 2005), together with all material Amendments is incorporated by reference from our 2011 Annual Report on Form 10-K (File No. 001-03619).
10.20	Wyeth Directors' Deferral Plan (as amended through December 15, 2007) is incorporated by reference from Wyeth's 2007 Annual Report on Form 10-K (File No. 001-01225).
10.21	The form of Indemnification Agreement with each of our non-employee Directors is incorporated by reference from our 1996 Annual Report on Form 10-K (File No. 001-03619).
10.22	The form of Indemnification Agreement with each of the Named Executive Officers identified in our 2015 Proxy Statement is incorporated by reference from our 1997 Annual Report on Form 10-K (File No. 001-03619).
10.23	Letter to Frank A. D'Amelio regarding replacement pension benefit dated August 22, 2007 is incorporated by reference from our Current Report on Form 8-K filed on August 22, 2007 (File No. 001-03619).
10.24	Executive Severance Plan is incorporated by referenced from our Current Report on Form 8-K filed on February 20, 2009 (File No. 001-03619).
10.25	Annual Retainer Unit Award Plan (for Non-Employee Directors) (frozen as of March 1, 2006) as amended, is incorporated by reference from our 2008 Annual Report on Form 10-K (File No. 001-03619).
10.26	Nonfunded Deferred Compensation and Unit Award Plan for Non-Employee Directors, as amended, is incorporated by reference from our Quarterly Report on Form 10-Q for the period ended September 28, 2014 (File No. 001-03619).
10.27	Form of Special Award Letter Agreement is incorporated by reference from our Current Report on Form 8-K filed on October 28, 2009 (File No. 001-03619).
10.28	Offer Letter to G. Mikael Dolsten, dated April 6, 2009, is incorporated by reference from our Quarterly Report on Form 10-Q for the period ended April 3, 2011 (File No. 001-03619).
10.29	Offer Letter to Geno J. Germano, dated April 6, 2009, is incorporated by reference from our Quarterly Report on Form 10-Q for the period ended April 3, 2011 (File No. 001-03619).
10.30	Warner-Lambert Company 1996 Stock Plan, as amended, is incorporated by reference from Warner-Lambert's 1999 Annual Report on Form 10-K (File No. 001-03608).
10.31	Warner-Lambert Company Incentive Compensation Plan, as amended to February 6, 2000, is incorporated by reference from Warner Lambert Company's 1999 Annual Report on Form 10-K (File No. 001-03608).
10.32	Warner-Lambert Company Supplemental Pension Income Plan, as amended to February 6, 2000, is incorporated by reference from Warner Lambert Company's 1999 Annual Report on Form 10-K (File No. 001-03608).
*12	Computation of Ratio of Earnings to Fixed Charges.
*13	Portions of the 2014 Financial Report, which, except for those sections incorporated by reference, are furnished solely for the information of the SEC and are not to be deemed "filed."
*21	Subsidiaries of the Company.
*23	Consent of KPMG LLP, Independent Registered Public Accounting Firm.
*24	Power of Attorney (included as part of signature page).
*31.1	Certification by the Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.

*31.2	Certification by the Chief Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
*32.1	Certification by the Chief Executive Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
*32.2	Certification by the Chief Financial Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
*101.INS	XBRL Instance Document
*101.SCH	XBRL Taxonomy Extension Schema
*101.CAL	XBRL Taxonomy Extension Calculation Linkbase
*101.LAB	XBRL Taxonomy Extension Label Linkbase
*101.PRE	XBRL Taxonomy Extension Presentation Linkbase
*101.DEF	XBRL Taxonomy Extension Definition Document

SIGNATURES

Under the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, this report was signed on behalf of the Registrant by the authorized person named below.

Pfizer Inc.

Dated: February 27, 2015

By: /S/ MARGARET M. MADDEN
Margaret M. Madden
Vice President and Corporate Secretary,
Chief Counsel - Corporate Governance

We, the undersigned directors and officers of Pfizer Inc., hereby severally constitute Douglas M. Lankler and Margaret M. Madden, and each of them singly, our true and lawful attorneys with full power to them and each of them to sign for us, in our names in the capacities indicated below, any and all amendments to this Annual Report on Form 10-K filed with the Securities and Exchange Commission.

Under the requirements of the Securities Exchange Act of 1934, this report was signed by the following persons on behalf of the Registrant and in the capacities and on the date indicated.

Signature	Title	Date
/S/ IAN C. READ **Ian C. Read**	Chairman, Chief Executive Officer and Director (Principal Executive Officer)	February 26, 2015
/S/ FRANK A. D'AMELIO **Frank A. D'Amelio**	Executive Vice President, Business Operations and Chief Financial Officer (Principal Financial Officer)	February 26, 2015
/S/ LORETTA V. CANGIALOSI **Loretta V. Cangialosi**	Senior Vice President—Controller (Principal Accounting Officer)	February 26, 2015
/S/ DENNIS A. AUSIELLO **Dennis A. Ausiello**	Director	February 26, 2015
/S/ W. DON CORNWELL **W. Don Cornwell**	Director	February 26, 2015
/S/ FRANCES D. FERGUSSON **Frances D. Fergusson**	Director	February 26, 2015
/S/ HELEN H. HOBBS **Helen H. Hobbs**	Director	February 26, 2015

Signature	Title	Date
/S/ CONSTANCE J. HORNER **Constance J. Horner**	Director	February 26, 2015
/S/ JAMES M. KILTS **James M. Kilts**	Director	February 26, 2015
/S/ GEORGE A. LORCH **George A. Lorch**	Director	February 26, 2015
/S/ SHANTANU NARAYEN **Shantanu Narayen**	Director	February 26, 2015
/S/ SUZANNE NORA JOHNSON **Suzanne Nora Johnson**	Director	February 26, 2015
/S/ STEPHEN W. SANGER **Stephen W. Sanger**	Director	February 26, 2015
/S/ JAMES C. SMITH **James C. Smith**	Director	February 26, 2015
/S/ MARC TESSIER-LAVIGNE **Marc Tessier-Lavigne**	Director	February 26, 2015

Exhibit 10.8

AMENDMENT No. 2

to the

PFIZER INC. NONFUNDED DEFERRED COMPENSATION AND SUPPLEMENTAL SAVINGS PLAN

WHEREAS, Pfizer Inc. (the "Company") sponsors the Pfizer Inc. Nonfunded Deferred Compensation and Supplemental Savings Plan (the "PSSP"), for certain of a select group of its management employees and former management employees;

WHEREAS, the Board of Directors of the Company (the "Board") in its December, 2013 meeting adopted a resolution which approved the amendment and/or restatement of certain of the Company's U.S. and Puerto Rico defined contribution qualified and nonqualified savings plans, including any related trust or other agreements, to: (1) change the timing of the Company's matching contribution to a quarterly basis from a per pay period basis; and (2) require, except in the event of retirement, disability, or death, that participants be actively employed at the end of each quarter to receive such matching contribution relating to that quarter, and the Board authorized each of the appropriate officers and committees of the Board and the Company, or their respective designees, to take any and all actions necessary, advisable or appropriate to effectuate such resolution, including but not limited to, preparing forms of amendments and/or restatements of (a) the Plans, and/or (b) any related trust or other agreements;

WHEREAS, the Board of Directors of the Company (the "Board") in its September 23, 2014 meeting adopted a resolution which approved the amendment and/or restatement of certain of the Company's U.S. and Puerto Rico defined contribution qualified and nonqualified savings plans, including any related trust or other agreements, to require that matching contributions are invested pursuant to the investment allocations elected by the participant, and the Board authorized each of the appropriate officers and committees of the Board and the Company, or their respective designees, to take any and all actions necessary, advisable or appropriate to effectuate such resolution, including but not limited to, preparing forms of amendments and/or restatements of (a) the Plans, and/or (b) any related trust or other agreements;

WHEREAS, the Company would now like to adopt the specific provisions to the PSSP reflecting the foregoing resolutions as well as some non-substantive amendments and clarifications;

WHEREAS, the Savings Plan Committee of the Company is adopting these amendments pursuant to its authority in Section 11 of the PSSP;

NOW THEREFORE BE IT:

RESOLVED, that effective on April 1, 2014, the PSSP is amended to provide that: (1) the timing of the Company's matching contribution is changed to a quarterly basis from a per pay period basis; and (2) except in the event of retirement, disability, or death, participants must be actively employed at the end of each quarter to receive such matching contribution relating to that quarter;

RESOLVED, that effective on January 1, 2015, the PSSP is amended to add a one year statute of limitations for filing lawsuits after the denial of an appeal and clarify that there is no suspension of installment payments upon rehire;

RESOLVED, that effective with respect to earnings on and after January 1, 2015, the PSSP is amended to provide that that Company matching contributions are invested pursuant to the investment allocations elected by the participant;

RESOLVED, that the amendments to the PSSP set forth in Exhibit A as appended hereto are approved, and it is formally acknowledged that such amendments constitute and are hereby adopted as part of the official Plan documents of the PSSP, for any and all purposes, until such time as the PSSP may be further amended or restated in its entirety; and

RESOLVED, that the proper Company officers or their delegates be, and hereby are, and each of them be, and hereby is, authorized, empowered and directed to take all such additional and further actions as they or counsel for the Company shall deem necessary, advisable or appropriate to restate the Plan and related trust to carry out the intent and purposes of these resolutions, including, but not limited to, the implementation of further amendments, restatements or clarifications throughout or with respect to the Plan.

SAVINGS PLAN COMMITTEE

Date: December 5, 2014 /S/ JANICE BEAUCHAMP
Janice Beauchamp

Date: December 3, 2014 /S/ BRIAN BYALA
Brian Byala

Date: December 4, 2014 /S/ JOSEPH GRUBER
Joseph Gruber

Date: December 3, 2014 /S/ BRIAN MCMAHON
Brian McMahon

Date: December 10, 2014 /S/ TRACY MILLER
Tracy Miller

Date: December 3, 2014 /S/ STEPHEN PENNACCHIO
Stephen Pennacchio

Date: December 3, 2014 /S/ WILLIAM ROCHE
William Roche

Exhibit A

Amendment to the

Pfizer Inc. Nonfunded Deferred Compensation and Supplemental Savings Plan (the "PSSP")

*** * ***

(New material in bold and italics; deletions crossed out)

1. Section 3.4 is amended to read as follows:

3.4 Amount of Elections. Each election for Excess Regular Earnings Deferrals to the Plan filed by an Eligible Employee must specify the amount of Excess Regular Earnings Deferrals in a whole percentage from 1% to 20% ***(30% effective January 1, 2013)*** of the Member's Excess Regular Earnings (from 1% to 15% for Members located in Puerto Rico) unless the Committee establishes a lesser percentage for the Plan Year.

2. Effective April 1, 2014, Section 4.1 is amended to read as follows:

4.1 General Rule.

(a) An Employer Accrual will be credited to a Member's Account with respect to the eligible portion of Excess Regular Earnings Deferrals of such Member at the Member's applicable percentage rate of "Matching Contributions" with respect to "After-Tax Contributions," "Before-Tax Contributions," and Roth 401(k) Contributions under the Qualified Plan. The Employer Accrual shall be credited as soon as practicable following the payroll period***, and effective April 1, 2014, as soon as practicable following the last day of the calendar quarter provided the Member is actively employed on such date,*** for which the Excess Regular Earnings Deferrals are made. An Employer Accrual (based on the Member's matching contribution formula under the Qualified Plan) also will be credited to the Account of a Member who elects to defer a percent of his or her bonus that otherwise would have been deferred under the Pfizer Deferred Compensation Plan, subject to the requirements of Section 409A. Such Employer Accrual shall be credited as soon as practical following the payroll period***, and effective April 1, 2014, as soon as practicable following the last day of the calendar quarter provided the Member is actively employed on such date,*** in which the bonus is deferred. In no event shall a Special Accrual be subject to Employer Accruals under this Section 4.1. Notwithstanding anything in this Section 4.1 to the contrary, for purposes of any distribution or withdrawal under the Plan, except as otherwise provided under Section 5.4, the amounts distributed or withdrawn shall be valued as of the last business day of the calendar quarter preceding the calendar quarter of the distribution or withdrawal.

(b) An eligible Member who is not actively employed by an Employer on the last day of the calendar quarter as a result of such Member's death, Long-Term Disability, Retirement, approved paid (including short-term disability) or unpaid leave of absence or military leave (provided that such Employee must return from military leave in accordance with USERRA to receive such contribution), shall receive his or her Employer Accrual for such calendar quarter:

(i) based on his or her After-Tax Contributions and/or Before-Tax Contributions up until the date upon which he or she is no longer actively employed as a result of any such

death, Long-Term Disability or Retirement in the event of his or her death, Long-Term Disability or Retirement, or

(ii) based on his or her After-Tax Contributions and/or Before-Tax Contributions for the applicable calendar quarter in the event of any paid (including short-term disability) or unpaid leave of absence or military leave.

(iii) "Long-Term Disability" for purposes of this Section 6.2, is the Employee's absence from active employment while eligible for and receiving disability benefits under one of the Company's long-term disability plans. "Retirement" for purposes of this Section 6.2, is a termination of employment with an Employer after the Eligible Employee has attained either (i) age 65, or (ii) age 55 with at least 10 Years of Service.

3. Effective with respect to contributions on and after January 1, 2015, the first paragraph of Section 5.4 is amended to read as follows:

5.4 Investments. All Excess Regular Earnings Deferrals and Retirement Savings Contributions will be credited with an amount equal to the amount which would have been earned had such amounts been actually invested in one or more of the "Funds" ~~(other than the Pfizer Match Fund)~~ available for investment under the Qualified Plan, as the Member may be defaulted into or elect from time to time, in one percent (1%) increments. To the extent no investment election is provided with respect to a Special Accrual when such Special Accrual is credited to the Plan or otherwise, the Special Accrual shall be deemed to be invested in the default fund under the Plan. The portion of the Member's Account attributable to Employer Accruals shall be deemed to be invested in the Pfizer Match Fund. Rules similar to those which govern the Qualified Plan shall apply for purposes of determining the value of the deemed investments (but based on this Plan's valuation dates) and the timing, frequency and permissibility of investment transfers. No provision of this Plan shall require the Company or any other Employer to actually invest any amount in any "Fund" or in any other investment vehicle. The Plan is an unfunded plan that is not subject to the funding requirements of ERISA, meaning that there are no actual investments held in a trust. The Accounts represent unsecured obligations of the Company, and no funds are set aside from the Company's general assets to cover such Accounts. The Plan is subject to the full faith and credit of the Company, and Members would be general creditors in the event of the Company's insolvency. Except as otherwise provided in this Section, distributions and withdrawals from the Plan are valued as of the last business day of the calendar quarter preceding the calendar quarter of the distribution. Withdrawals on account of an Unforeseeable Emergency are valued as of the last business day of the month preceding the day that the withdrawal request is received. Payments that would otherwise be made but are delayed on account of a Member being a Key Employee are valued on the distribution date.

4. Section 6.1 is amended to read as follows:

6.1 Distribution of Benefits. Unless otherwise specifically provided for in the Plan, distribution of a Member's Grandfathered Amounts shall be paid in accordance with the distribution provisions of the Prior Plans. Except as otherwise provided in this Section and the Plan, a Member shall be paid the balance of his Account following his or her Separation ~~of~~ ***from*** Service in accordance with the Payment Option or Payment Options elected (or deemed elected by the Member) by the Member as permitted under the Plan. A Member may have different Payment Option elections with respect to the portions of his or her Account, for example, for a Special Accrual or for a Member who was ineligible or a period of time and subsequently became eligible and was permitted or deemed to have made a new Payment Option election under the Plan with respect to future accruals under the Plan and in accordance with Section 409A.

5. The second paragraph of Section 6.8 is amended to read as follows:

Members who have elected to receive their distribution (or portion thereof) in installments may not change the corresponding election once their installment distributions have begun ***or in the event of a rehire***.

6. Effective January 1, 2015, Section 9.4 is amended to read as follows:

9.4 Limitation on Period for Filing Claims. No claim for benefits based upon a claim that contributions were not properly made under this Plan shall be approved under this Plan, and no action may be brought for benefits under this Plan pursuant to the denial of such a claim pursuant to Section 9.3 of this Plan, unless such claim for benefits is duly filed under Section 9.3 of this Plan no later than the last day of the second Plan Year beginning after the Plan Year in which the claim alleges that the contributions should have been credited. ***No court action may be brought for benefits under this Plan pursuant to the denial of a Claim unless duly filed no later than the one year anniversary of the final denial of such Claim by the Committee.***

Exhibit 12

PFIZER INC. AND SUBSIDIARY COMPANIES
COMPUTATION OF RATIO OF EARNINGS TO FIXED CHARGES

(MILLIONS OF DOLLARS, EXCEPT RATIOS)	Year Ended December 31, 2014	2013	2012	2011	2010
Determination of earnings:					
Income from continuing operations before provision for taxes on income, noncontrolling interests and cumulative effect of a change in accounting principles	$ 12,240	$ 15,716	$ 11,242	$ 11,481	$ 8,846
Less:					
Noncontrolling interests	47	44	47	60	46
Income attributable to Pfizer Inc.	12,193	15,672	11,195	11,421	8,800
Add (deduct):					
Capitalized interest	(41)	(32)	(41)	(50)	(36)
Amortization of capitalized interest	54	65	69	95	29
Equity (income)/loss from equity-method investments	(4)	(55)	(99)	(82)	(78)
Distributed income of equity method investments	136	162	85	190	26
Fixed charges	1,435	1,495	1,627	1,812	1,930
Total earnings as defined	$ 13,772	$ 17,307	$ 12,836	$ 13,386	$ 10,671
Fixed charges:					
Interest expense[a]	$ 1,360	$ 1,414	$ 1,522	$ 1,681	$ 1,797
Preferred stock dividends[b]	3	3	4	5	6
Rents[c]	72	78	101	126	127
Fixed charges	1,435	1,495	1,627	1,812	1,930
Capitalized interest	41	32	41	50	36
Total fixed charges	$ 1,476	$ 1,527	$ 1,668	$ 1,862	$ 1,966
Ratio of earnings to fixed charges	9.3	11.3	7.7	7.2	5.4

[a] Interest expense includes amortization of debt premium, discount and other debt costs. Interest expense does not include interest related to uncertain tax positions of $182 million for 2014; $222 million for 2013; $265 million for 2012; $338 million for 2011; and $389 million for 2010.

[b] Preferred stock dividends related to our Series A convertible perpetual preferred stock held by an employee stock ownership plan trust.

[c] Rents included in the computation consist of one-third of rental expense, which we believe to be a conservative estimate of an interest factor in our leases, which are not material.

Pfizer Inc. 2014 Financial Report

Financial Review
Pfizer Inc. and Subsidiary Companies

INTRODUCTION

Our Financial Review is provided to assist readers in understanding the results of operations, financial condition and cash flows of Pfizer Inc. (the Company). It should be read in conjunction with the consolidated financial statements and Notes to Consolidated Financial Statements. The discussion in this Financial Review contains forward-looking statements that involve substantial risks and uncertainties. Our actual results could differ materially from those anticipated in these forward-looking statements as a result of various factors, such as those discussed in Part 1, Item 1A, "Risk Factors" of our 2014 Annual Report on Form 10-K and in the "Forward-Looking Information and Factors That May Affect Future Results", "Our Operating Environment" and "Our Strategy" sections of this Financial Review.

The Financial Review is organized as follows:

Certain amounts in our Financial Review may not add due to rounding. All percentages have been calculated using unrounded amounts.

OVERVIEW OF OUR PERFORMANCE, OPERATING ENVIRONMENT, STRATEGY AND OUTLOOK

Our Business

We apply science and our global resources to bring therapies to people that extend and significantly improve their lives through the discovery, development and manufacture of healthcare products. Our global portfolio includes medicines and vaccines, as well as many of the world's best-known consumer healthcare products. We work across developed and emerging markets to advance wellness, prevention, treatments and cures that challenge the most feared diseases of our time. We collaborate with healthcare providers, governments and local communities to support and expand access to reliable, affordable healthcare around the world. Our revenues are derived from the sale of our products and, to a much lesser extent, from alliance agreements, under which we co-promote products discovered by other companies (Alliance revenues).

The majority of our revenues come from the manufacture and sale of biopharmaceutical products. The biopharmaceutical industry is highly competitive and highly regulated. As a result, we face a number of industry-specific factors and challenges which can significantly impact our results. These factors include, among others: the loss or expiration of intellectual property rights and the expiration of co-promotion and licensing rights, healthcare legislation, pipeline productivity, the regulatory environment and pricing and access pressures, and competition among branded products. We also face challenges as a result of the global economic environment. For additional information about these factors and challenges, see the "Our Operating Environment" section of this Financial Review.

The financial information included in our consolidated financial statements for our subsidiaries operating outside the United States (U.S.) is as of and for the year ended November 30 for each year presented.

References to developed markets in this Financial Review include the U.S., Western Europe, Japan, Canada, Australia, Scandinavia, South Korea, Finland and New Zealand; and references to Emerging Markets in this Financial Review include the rest of the world, including, among other countries, China, Brazil, Mexico, Russia, India and Turkey.

On February 5, 2015, we announced that we have entered into a definitive merger agreement under which we agreed to acquire Hospira, Inc. (Hospira), the world's leading provider of injectable drugs and infusion technologies and a global leader in biosimilars, for $90 per share in cash, for a total enterprise value of approximately $17 billion. We expect to finance the transaction through a combination of existing cash and new debt, with approximately two-thirds of the value financed from cash and one-third from debt. The transaction is subject to customary closing conditions, including regulatory approvals in several jurisdictions and the approval of Hospira's shareholders, and is expected to close in the second half of 2015.

On June 24, 2013, we completed the full disposition of our Animal Health business, Zoetis Inc.(Zoetis), and recognized a gain of approximately $10.3 billion, net of tax, in *Gain on disposal of discontinued operations—net of tax* in our consolidated statement of income for the year ended December 31, 2013. The operating results of this business through June 24, 2013, the date of disposal, are reported as *Income from discontinued operations—net of tax* in our consolidated statements of income.

On November 30, 2012, we completed the sale of our Nutrition business to Nestlé and recognized a gain of approximately $4.8 billion, net of tax, in *Gain on disposal of discontinued operations—net of tax* in our consolidated statement of income for the year ended December 31, 2012. The operating results of this business through November 30, 2012, the date of disposal, are reported as *Income from discontinued operations—net of tax* in our consolidated statements of income.

For additional information about our divestitures, see Notes to Consolidated Financial Statements—*Note 2D. Acquisitions, Licensing Agreements, Collaborative Arrangements, Divestitures, and Equity-Method Investments: Divestitures* and see the "Our Business Development Initiatives", "Discontinued Operations" and "Analysis of Financial Condition, Liquidity and Capital Resources" sections of this Financial Review.

Our 2014 Performance

Revenues—2014

Revenues in 2014 were $49.6 billion, a decrease of 4% compared to 2013, which reflects an operational decrease of $1.1 billion, or 2%, and the unfavorable impact of foreign exchange of $912 million, or 2%. See the "Analysis of the Consolidated Statements of Income—Revenues—Overview" section below for more information, including a discussion of key drivers of our revenue performance.

Income from Continuing Operations—2014

Income from continuing operations in 2014 was $9.1 billion, compared to $11.4 billion in 2013, primarily reflecting, among other items, in addition to the lower revenues described above:

- higher research and development expenses (up $1.7 billion) (see also the "Costs and Expenses—Research and Development (R&D) Expenses" section of this Financial Review);
- the non-recurrence in 2014 of the patent litigation settlement income of $1.3 billion in 2013 (see also the "Costs and Expenses—Other (Income)/Deductions–Net" section of this Financial Review and Notes to Consolidated Financial Statements—*Note 4. Other (Income)/Deductions—Net*);
- higher legal charges (up $958 million) (see the "Costs and Expenses—Other (Income)/Deductions—Net" section of this Financial Review and Notes to Consolidated Financial Statements—*Note 4. Other (Income)/Deductions—Net*); and

- the non-recurrence in 2014 of the gain associated with the transfer of certain product rights to our joint venture with Zhejiang Hisun Pharmaceuticals Co., Ltd. (Hisun) in China in 2013 ($459 million) (see also the "Our Business Development Initiatives" and "Costs and Expenses—Other (Income)/Deductions—Net" sections of this Financial Review and Notes to Consolidated Financial Statements—*Note 2E. Acquisitions, Licensing Agreements, Collaborative Arrangements, Divestitures, and Equity-Method Investments: Equity-Method Investments,* and *Note 4. Other (Income)/Deductions—Net)*,

partially offset by:

- a lower effective tax rate (down 1.9 percentage points to 25.5%) (see also the "Provision for Taxes on Income" section of this Financial Review and Notes to Consolidated Financial Statements—*Note 5. Tax Matters*);
- lower restructuring charges and certain acquisition-related costs (down $932 million) (see also the "Costs and Expenses—Restructuring Charges and Other Costs Associated with Acquisitions and Cost-Reduction/Productivity Initiatives" section of this Financial Review and Notes to Consolidated Financial Statements—*Note 3. Restructuring Charges and Other Costs Associated with Acquisitions and Cost-Reduction/Productivity Initiatives)*;
- higher royalty-related income (up $479 million) (see also the "Costs and Expenses—Other (Income)/Deductions—Net" section of this Financial Review and Notes to Consolidated Financial Statements—*Note 4. Other (Income)/Deductions—Net*);
- lower asset impairments (down $409 million) (see also the "Costs and Expenses—Other (Income)/Deductions—Net" section of this Financial Review and Notes to Consolidated Financial Statements—*Note 4. Other (Income)/Deductions—Net)*;
- an estimated loss recorded in 2013 associated with an option to acquire the remaining interest in Laboratório Teuto Brasileiro S.A. (Teuto) of approximately $223 million and income recorded in 2014 of approximately $55 million, reflecting a decline in the estimated loss from the aforementioned option (see also the "Costs and Expenses—Other (Income)/Deductions—Net" section of this Financial Review and Notes to Consolidated Financial Statements—*Note 4. Other (Income)/Deductions—Net*); and
- lower selling, informational and administrative expenses (see the "Costs and Expenses—Selling, Informational and Administrative (SI&A) Expenses" section of this Financial Review) .

See also the "Discontinued Operations" section of this MD&A.

Our Operating Environment

Industry-Specific Challenges

Intellectual Property Rights and Collaboration/Licensing Rights

The loss or expiration of intellectual property rights and the expiration of co-promotion and licensing rights can have a significant adverse effect on our revenues. Many of our products have multiple patents that expire at varying dates, thereby strengthening our overall patent protection. However, once patent protection has expired or has been lost prior to the expiration date as a result of a legal challenge, we lose exclusivity on these products, and generic pharmaceutical manufacturers generally produce similar products and sell them for a lower price. The date at which generic competition commences may be different from the date that the patent or regulatory exclusivity expires. However, when generic competition does commence, the resulting price competition can substantially decrease our revenues for the impacted products, often in a very short period of time.

Our biotechnology products, including BeneFIX, ReFacto, Xyntha and Enbrel (we market Enbrel outside the U.S. and Canada), may face competition in the future from biosimilars (also referred to as follow-on biologics). If competitors are able to obtain marketing approval for biosimilars that reference our biotechnology products, our products may become subject to competition from these biosimilars, with attendant competitive pressure, and price reductions could follow. Expiration or successful challenge of applicable patent rights could trigger this competition, assuming any relevant exclusivity period has expired. However, biosimilar manufacturing is complex, and biosimilars are not generic versions of the reference products. Therefore, at least initially upon approval of a biosimilar competitor, biosimilar competition with respect to biologics may not be as significant as generic competition with respect to small molecule drugs.

We have lost exclusivity for a number of our products in certain markets and have lost collaboration rights with respect to a number of our alliance products in certain markets, and we expect certain products and alliance products to face significantly increased generic competition over the next few years.

Specifically:

Recent Losses and Expected Losses of Product Exclusivity

The following table provides information about certain of our products recently experiencing, or expected to experience in 2015, patent expirations or loss of regulatory exclusivity, showing, by product, the key dates or expected key dates, the markets impacted and the revenues associated with those products in those markets:

(MILLIONS OF DOLLARS)			Product Revenues in Markets Impacted		
Products	Key Dates[a]	Markets Impacted	Year Ended December 31,		
			2014	2013	2012
Xalatan and Xalacom	January 2012	Major European markets	**$ 127**	$ 161	$ 275
Aricept	February 2012	Major European markets	**28**	47	139
Geodon	March 2012	U.S.	**24**	84	214
Revatio tablet	September 2012	U.S.	**51**	67	312
Detrol IR and Detrol LA[b]	September 2012 January 2014	Major European markets U.S.	**87**	428	605
Lyrica	February 2013	Canada	**32**	101	206
Viagra	June 2013 (Europe) May 2014 (Japan/Australia)	Major European markets Japan and Australia	**146**	354	472
Rapamune	January 2014	U.S.	**202**	201	185
Inspra[c]	March 2014	Major European markets	**160**	150	131
Lyrica[d]	July 2014	Major European markets	**1,634**	1,458	1,319
Celebrex[e]	November 2014 (Europe) December 2014 (U.S.)	Major European markets U.S.	**1,872**	2,084	1,906
Zyvox[f]	First half of 2015	U.S.	**680**	688	665
Enbrel	August 2015 (Europe) September 2015 (Japan)	Major European markets Japan	**2,832**	2,776	2,727

(a) Unless stated otherwise, "Key Dates" indicate patent-based expiration dates.
(b) In January 2014, generic versions of Detrol LA became available in the U.S. pursuant to a settlement agreement.
(c) In March 2014, regulatory exclusivity for Inspra expired in most major European markets, allowing generic companies to submit applications for marketing authorizations for their generic products.
(d) In July 2014, regulatory exclusivity for Lyrica expired in the EU, allowing generic companies to submit applications for marketing authorizations for their generic products.
(e) In December 2014, generic versions of Celebrex became available pursuant to settlement agreements licensing the reissue patent to several of the generic manufacturers involved in the ongoing litigation with respect to Celebrex.
(f) Pursuant to terms of a settlement agreement, certain formulations of Zyvox became subject to generic competition in the U.S. in January 2015. We expect certain other formulations of Zyvox will become subject to generic competition in the U.S. in the first half of 2015.

Recent and Expected Losses of Collaboration Rights

The following table provides information about certain of our alliance revenue products that have experienced or that are expected to experience losses of collaboration rights, showing, by product, the date of the loss of the collaboration rights, the markets impacted and the alliance revenues associated with those products in those markets:

(MILLIONS OF DOLLARS)			Alliance Revenues in Markets Impacted		
Products	Date of Loss of Collaboration Rights	Markets Impacted	Year Ended December 31,		
			2014	2013	2012
Spiriva[a]	April 2014 (U.S.), between 2012 and 2016 (Japan, certain European countries, Australia, Canada and South Korea)	U.S., Japan, certain European countries, Australia, Canada and South Korea	**$ 168**	$ 659	$ 1,143
Aricept[b]	December 2012 (Japan), July 2013 (U.S.)	Japan and U.S.	**—**	47	
Enbrel[c]	October 2013	U.S. and Canada	**3**	1,400	1,500
Rebif[d]	End of 2015	U.S.	**415**	401	399

(a) Spiriva—Our collaboration with Boehringer Ingelheim for Spiriva expires on a country-by-country basis between 2012 and 2016. On April 29, 2014, our alliance in the U.S. came to an end.
(b) Aricept—Our rights to Aricept in Japan returned to Eisai Co., Ltd. in December 2012. Date shown for U.S. is the date the Aricept 23mg tablet lost exclusivity in the U.S., which was July 2013. 2012 alliance revenues for Aricept have not been approved for disclosure by Eisai Co., Ltd. and therefore are not reflected in the table above.
(c) Enbrel—The U.S. and Canada co-promotion term of our collaboration agreement with Amgen Inc. for Enbrel expired on October 31, 2013. While we are entitled to royalties for 36 months thereafter, those royalties have been and are expected to continue to be significantly less than our share of Enbrel profits from U.S. and Canada sales prior to the expiration. In addition, while our share of the profits from this co-promotion agreement previously was included in *Revenues*, our royalties after October 31, 2013 are and will be included in *Other (income)/deductions—net*, in our consolidated statements of income. Outside the U.S. and Canada, we continue to have the exclusive rights to market Enbrel.
(d) Rebif—Our collaboration agreement with EMD Serono Inc. to co-promote Rebif in the U.S. will expire at the end of 2015.

In addition, we expect to lose exclusivity for various other products in various markets over the next few years. For additional information, see the “Patents and Other Intellectual Property Rights” section in Part I, Item 1, “Business”, of our 2014 Annual Report on Form 10-K.

Our financial results in 2014 and our 2015 financial guidance, respectively, reflect the impact and projected impact of the loss of exclusivity of various products and the expiration of certain alliance product contract rights discussed above. For additional information about our 2015 financial guidance, see the “Our Financial Guidance for 2015” section of this Financial Review.

We will continue to aggressively defend our patent rights whenever we deem appropriate. For more detailed information about our significant products, see the discussion in the “Revenues—Major Biopharmaceutical Products” and “Revenues—Selected Product Descriptions” sections of this Financial Review. For a discussion of certain recent developments with respect to patent litigation, see Notes to Consolidated Financial Statements—*Note 17A1. Commitments and Contingencies: Legal Proceedings—Patent Litigation*.

Regulatory Environment/Pricing and Access—U.S. Healthcare Legislation

In March 2010, the Patient Protection and Affordable Care Act, as amended by the Health Care and Education Reconciliation Act (together, the U.S. Healthcare Legislation, and also known as the Affordable Care Act or ACA), was enacted in the U.S. For additional information, see the “Government Regulation and Price Constraints” section in Part I, Item 1, "Business", of our 2014 Annual Report on Form 10-K.

Impacts on our 2014 Results

We recorded the following amounts in 2014 as a result of the U.S. Healthcare Legislation:

- $631 million recorded as a reduction to *Revenues*, related to the higher, extended and expanded rebate provisions and the Medicare “coverage gap” discount provision; and
- $362 million recorded in *Selling, informational and administrative expenses*, related to the fee payable to the federal government. 2014 includes a $215 million charge to account for an additional year of the non-tax deductible Branded Prescription Drug Fee in accordance with final regulations issued in the third quarter of 2014 by the U.S. Internal Revenue Service (IRS). The charge in 2014 also reflected a favorable true-up associated with the final 2013 invoice received from the federal government, which reflected a lower share than that of the initial 2013 invoice.

  The final regulations did not change the payment schedule for the Branded Prescription Drug Fee; accordingly there was no cash flow impact in 2014 from the $215 million charge.

Impacts on our 2013 Results

We recorded the following amounts in 2013 as a result of the U.S. Healthcare Legislation:

- $458 million recorded as a reduction to *Revenues,* related to the higher, extended and expanded rebate provisions and the Medicare “coverage gap” discount provision; and
- $280 million recorded in *Selling, informational and administrative expenses*, related to the fee payable to the federal government.

Impacts on our 2012 Results

We recorded the following amounts in 2012 as a result of the U.S. Healthcare Legislation:

- $593 million recorded as a reduction to *Revenues,* related to the higher, extended and expanded rebate provisions and the Medicare “coverage gap” discount provision; and
- $336 million recorded in *Selling, informational and administrative expenses*, related to the fee payable to the federal government.

Other Impacts

- *Expansion of Healthcare Coverage*— The ACA included a coverage expansion that took effect in 2014. For additional information on the coverage expansion under the ACA and its impact on Pfizer's revenues, see the “Government Regulation and Price Constraints—In the United States—Healthcare Reform” section in Part I, Item 1 "Business", of our 2014 Annual Report on Form 10-K.
- *Biotechnology Products*—The U.S. Healthcare Legislation also created a framework for the approval of biosimilars (also known as follow-on biologics) following the expiration of 12 years of exclusivity for the innovator biologic, with a potential six-month pediatric extension. For additional information on the biosimilar approval pathway, the FDA's guidance documents and competition from biosimilar manufacturers, see the "Patents and Intellectual Property—Biotechnology Products“ and "Government Regulation and Price Constraints—In the United States—Biosimilars” sections in Part I, Item 1 "Business", of our 2014 Annual Report on Form 10-K.

Regulatory Environment/Pricing and Access—Government and Other Payer Group Pressures

Governments, managed care organizations and other payer groups continue to seek increasing discounts on our products through a variety of means, such as leveraging their purchasing power, implementing price controls, and demanding price cuts (directly or by rebate actions). We are exposed to negative pricing pressures in various markets around the world. The U.S. has highly competitive insurance markets. Europe, Japan, China, Canada, South Korea and some other international markets have governments that provide healthcare at low direct cost to consumers and regulate pharmaceutical prices or patient reimbursement levels to control costs for the government-sponsored healthcare system, and have government-mandated reductions in prices and access restrictions for certain biopharmaceutical products to control costs in those markets, particularly under recent global economic pressures. Also, health insurers and benefit plans continue to limit access to certain of our medicines by imposing formulary restrictions in favor of the increased use of generics. In prior years, Presidential advisory groups tasked with reducing healthcare spending have recommended legislative changes that would allow the U.S. government to directly negotiate prices with pharmaceutical manufacturers on behalf of Medicare beneficiaries, which we expect would restrict access to and reimbursement for our products.

Specifically, in the U.S., the following government activities have potential impacts on our financial results:

- *Sustainable Growth Rate Replacement*—The Medicare physician payment formula known as the Sustainable Growth Rate (SGR) is routinely overridden by Congressional action because it would lead to dramatic decreases in physician payment. The current legislative relief expires in March 2015. Congress issued a bi-partisan proposal to repeal the SGR and replace it with a new payment model. This form of SGR replacement is estimated by the Congressional Budget Office to cost the federal government approximately $144 billion over 10 years. The source of those funds has yet to be determined, but could include additional taxes on and/or rebate requirements applicable to the pharmaceutical industry, including Pfizer.
- *Deficit Reduction*—Any significant spending reductions affecting Medicare, Medicaid or other publicly funded or subsidized health programs that may be implemented, and/or any significant additional taxes or fees that may be imposed on us, as part of any broad deficit-reduction effort could have an adverse impact on our results of operations.

The ACA, which expanded the role of the U.S. government as a healthcare payer, is accelerating changes in the U.S. healthcare marketplace, and the potential for additional pricing and access pressures continues to be significant. Many of these developments may impact drug utilization, in particular branded drug utilization. Some employers, seeking to avoid the tax on high-cost health insurance in the ACA to be imposed in 2018, are already scaling back healthcare benefits. Some health plans and pharmacy benefit managers are seeking greater pricing predictability from pharmaceutical manufacturers in contractual negotiations. Other health plans and pharmacy benefit managers are increasing their focus on spending on specialty medicines by implementing co-insurance in place of a flat co-payment. Because co-insurance passes on a percentage of a drug's cost to the patient, this shift has the potential to significantly increase patient out-of-pocket costs.

Overall, there is increasing pressure on U.S. providers to deliver healthcare at a lower cost and to ensure that those expenditures deliver demonstrated value in terms of health outcomes. Longer term, we are seeing a shift in focus away from fee-for-service payments towards outcomes-based payments and risk-sharing arrangements that reward providers for cost reductions. These new payment models can, at times, lead to lower prices for, and restricted access to, new medicines. At the same time, these models can also expand utilization by encouraging physicians to screen, diagnose and focus on outcomes.

In response to the evolving U.S. and global healthcare spending landscape, we are continuing to work with health authorities, health technology assessment and quality measurement bodies and major U.S. payers throughout the product-development process to better understand how these entities value our compounds and products. Further, we are seeking to develop stronger internal capabilities focused on demonstrating the value of the medicines that we discover or develop, register and manufacture, by recognizing patterns of usage of our medicines and competitor medicines along with patterns of healthcare costs.

Regulatory Environment—Pipeline Productivity

The discovery and development of safe, effective new products, as well as the development of additional uses for existing products, are necessary for the continued strength of our businesses. We have encountered increasing regulatory scrutiny of drug safety and efficacy, even as we continue to gather safety and other data on our products, before and after the products have been launched. Our product lines must be replenished over time in order to offset revenue losses when products lose their exclusivity, as well as to provide for earnings growth. We devote considerable resources to R&D activities. These activities involve a high degree of risk and may take many years, and with respect to any specific R&D project, there can be no assurance that the development of any particular product candidate or new indication for an in-line product will achieve desired clinical endpoints and safety profile, will be approved by regulators or will be successful commercially. We continue to strengthen our global R&D organization and pursue strategies intended to improve innovation and overall productivity in R&D to achieve a sustainable pipeline that will deliver value in the near term and over time.

During the development of a product, we conduct clinical trials to provide data on the drug's safety and efficacy to support the evaluation of its overall benefit-risk profile for a particular patient population. In addition, after a product has been approved and launched, we continue to monitor its safety as long as it is available to patients, and post-marketing trials may be conducted, including trials requested by regulators and trials that we do voluntarily to gain additional medical knowledge. For the entire life of the product, we collect safety data and report potential problems to the FDA and other regulatory authorities. The FDA and regulatory authorities in other jurisdictions may evaluate potential safety concerns related to a product or a class of products and take regulatory actions in response, such as updating a product's labeling, restricting the use of a product, communicating new safety information to the public, or, in rare cases, removing a product from the market.

Competition Among Branded Products

Many of our prescription pharmaceutical products face competition in the form of branded or generic drugs that treat similar diseases or indications. For additional information, see the “Competition" section in Part I, Item 1, “Business”, of our 2014 Annual Report on Form 10-K.

The Global Economic Environment

In addition to industry-specific factors discussed above, we, like other businesses, are exposed to the economic cycle, which impacts our biopharmaceutical operations globally.

- We believe that patients, who are experiencing increases in co-pays and restrictions on access to medicines as payers seek to control costs, sometimes switch to generic products, delay treatments, skip doses or use less effective treatments. We are exposed to negative pricing pressure in various markets around the world. The U.S. has highly competitive insurance markets, and Europe, Japan, China, Canada, South Korea and a number of other international markets have government-mandated reductions in prices and access restrictions for certain biopharmaceutical products to control costs for the government-sponsored healthcare system, particularly under recent global pressures. Furthermore, some government agencies and third-party payers use health technology assessments in ways that, at times, lead to restricted access to and lower prices for new medicines.
- We continue to monitor developments regarding government and government agency receivables in several European markets where economic conditions remain challenging and uncertain. For further information about our *Accounts Receivable*, see the “Analysis of Financial Condition, Liquidity and Capital Resources” section of this Financial Review.
- Significant portions of our revenues and earnings, as well as our substantial international net assets, are exposed to changes in foreign exchange rates. We seek to manage our foreign exchange risk in part through operational means, including managing same-currency revenues in relation to same-currency costs and same-currency assets in relation to same-currency liabilities. Depending on market conditions, foreign exchange risk also is managed through the use of derivative financial instruments and foreign currency debt. As we operate in multiple foreign currencies, including the euro, the Japanese yen, the Chinese renminbi, the U.K. pound, the Canadian dollar and approximately 100 other currencies, changes in those currencies relative to the U.S. dollar will impact our revenues and expenses. If the U.S. dollar were to weaken against another currency, assuming all other variables remained constant, our revenues would increase, having a positive impact on earnings, and our overall expenses would increase, having a negative impact on earnings. Conversely, if the U.S. dollar were to strengthen against another currency, assuming all other variables remained constant, our revenues would decrease, having a negative impact on earnings, and our overall expenses would decrease, having a positive impact on earnings. Therefore, significant changes in foreign exchange rates can impact our results and our financial guidance.

  The impact of possible currency devaluations in countries experiencing high inflation rates or significant exchange fluctuations, including Venezuela, can impact our results and financial guidance. For further information about our exposure to foreign currency risk, see the “Analysis of Financial Condition, Liquidity and Capital Resources” section of this Financial Review.

Despite the challenging financial markets, Pfizer maintains a strong financial position. Due to our significant operating cash flows, financial assets, access to capital markets and available lines of credit and revolving credit agreements, we continue to believe that we have, and will maintain, the ability to meet our liquidity needs for the foreseeable future. Our long-term debt is rated high quality by both Standard & Poor’s (S&P) and Moody’s Investors Service. As market conditions change, we continue to monitor our liquidity position. We have taken and will continue to take a conservative approach to our financial investments. Both short-term and long-term investments consist primarily of high-quality, highly liquid, well-diversified, available-for-sale debt securities. For further discussion about our financial condition, see the “Analysis of Financial Condition, Liquidity and Capital Resources” section of this Financial Review.

These and other industry-wide factors that may affect our businesses should be considered along with information presented in the “Forward-Looking Information and Factors That May Affect Future Results” section of this Financial Review and in Part I, Item 1A, “Risk Factors,” of our 2014 Annual Report on Form 10-K.

Our Strategy

We believe that our medicines provide significant value for both healthcare providers and patients, not only from the improved treatment of diseases but also from a reduction in other healthcare costs, such as emergency room or hospitalization costs, as well as improvements in health, wellness and productivity. We continue to actively engage in dialogues about the value of our products and how we can best work with patients, physicians and payers to prevent and treat disease and improve outcomes. We continue to work within the current legal and pricing structures, as well as continue to review our pricing arrangements and contracting methods with payers, to maximize access to patients and minimize any adverse impact on our revenues. We remain firmly committed to fulfilling our company's purpose of innovating to bring therapies to patients that significantly improve their lives. By doing so, we expect to create value for the patients we serve and for our shareholders.

Commercial Operations

At the beginning of our fiscal year 2014, we began managing our commercial operations through a new global commercial structure consisting of two distinct businesses: an Innovative Products business and an Established Products business. The Innovative Products business is composed of two operating segments, each of which is led by a single manager—the Global Innovative Pharmaceutical segment (GIP) and the Global Vaccines, Oncology and Consumer Healthcare segment (VOC). The Established Products business consists of the Global Established Pharmaceutical segment (GEP), which is led by a single manager. Each operating segment has responsibility for its commercial activities and for certain in-process research and development (IPR&D) projects for new investigational products and additional indications for in-line products that generally have achieved proof of concept. Each business has a geographic footprint across developed and emerging markets.

Some additional information about each product grouping follows:

- Global Innovative Pharmaceutical segment—GIP is focused on developing, registering and commercializing novel, value-creating medicines that significantly improve patients' lives. These therapeutic areas include inflammation, cardiovascular/metabolic, neuroscience and pain, rare diseases and women's/men's health and include leading brands, such as Xeljanz, Eliquis and Lyrica (U.S. and Japan). GIP has a pipeline of medicines in inflammation, cardiovascular/metabolic disease, neuroscience and pain, and rare diseases.
- Global Vaccines, Oncology and Consumer Healthcare segment—VOC focuses on the development and commercialization of vaccines and products for oncology and consumer healthcare. Consumer Healthcare manufactures and markets several well known, over-the-counter (OTC) products. Each of the three businesses in VOC operates as a separate, global business with distinct specialization in terms of the science and market approach necessary to deliver value to consumers and patients.
- Global Established Pharmaceutical segment—GEP includes the brands that have lost market exclusivity and, generally, the mature, patent-protected products that are expected to lose exclusivity through 2015 in most major markets and, to a much smaller extent, generic pharmaceuticals. Additionally, GEP includes our sterile injectable products and biosimilar development portfolio.

We expect that the GIP and VOC biopharmaceutical portfolios of innovative, largely patent-protected, in-line products will be sustained by ongoing investments to develop promising assets and targeted business development in areas of focus to ensure a pipeline of highly-differentiated product candidates in areas of unmet medical need. The assets managed by these groups are science-driven, highly differentiated and generally require a high-level of engagement with healthcare providers and consumers.

GEP is expected to generate strong consistent cash flow by providing patients around the world with access to effective, lower-cost, high-value treatments. GEP leverages our biologic development, regulatory and manufacturing expertise to seek to advance its biosimilar development portfolio. GEP may also engage in targeted business development to further enable its commercial strategies.

Prior-period information has been restated to conform to the current management structure. For additional information about our operating structure, see Notes to Consolidated Financial Statements—*Note 18. Segment, Geographic and Other Revenue Information: Segment Information.*

For additional information about the 2014 performance of each of our operating segments, see the "Analysis of Operating Segment Information" section of this Financial Review.

Research Operations

We continue to strengthen our global R&D organization and pursue strategies intended to improve innovation and overall productivity in R&D to achieve a sustainable pipeline that will deliver value in the near term and over time. Our R&D priorities include delivering a pipeline of differentiated therapies with the greatest scientific and commercial promise, innovating new capabilities that can position Pfizer for long-term leadership and creating new models for biomedical collaboration that will expedite the pace of innovation and productivity. To that end, our research primarily focuses on six high-priority areas that have a mix of small molecules and large molecules—immunology and inflammation; cardiovascular and metabolic diseases; oncology; vaccines; neuroscience and pain; and rare diseases. Another area of focus is biosimilars.

While a significant portion of R&D is done internally, we continue to seek to expand our pipeline by entering into agreements with other companies to develop, license or acquire promising compounds, technologies or capabilities. Collaboration, alliance and license agreements and acquisitions allow us to capitalize on these compounds to expand our pipeline of potential future products. In addition, collaborations and alliances allow us to share risk and to access external scientific and technological expertise.

For additional information about R&D by operating segment, see the "Analysis of Operating Segment Information" section of this Financial Review. For additional information about our pending new drug applications and supplemental filings, see the "Analysis of the Consolidated Statements of Income—Product Developments" section of this Financial Review. For additional information about recent transactions and strategic investments that we believe have the potential to advance our pipeline and maximize the value of our in-line products, see the "Our Business Development Initiatives" section of this Financial Review.

Business Development

We continue to build on our broad portfolio of businesses and to expand our R&D pipeline through various business development transactions. For additional information about recent transactions and strategic investments that we believe have the potential to advance our pipeline, enhance our product portfolio and maximize the value of our in-line products, see the "Our Business Development Initiatives" section of this Financial Review.

Intellectual Property Rights

We continue to aggressively defend our patent rights against increasingly aggressive infringement whenever appropriate, and we will continue to support efforts that strengthen worldwide recognition of patent rights while taking necessary steps to ensure appropriate patient access. In addition, we will continue to employ innovative approaches designed to prevent counterfeit pharmaceuticals from entering the supply chain and to achieve greater control over the distribution of our products, and we will continue to participate in the generics market for our products, whenever appropriate, once they lose exclusivity. For additional information about our current efforts to enforce our intellectual property rights, see Notes to Consolidated Financial Statements—*Note 17A1. Commitments and Contingencies: Legal Proceedings—Patent Litigation.*

Capital Allocation and Expense Management

We seek to maintain a strong balance sheet and robust liquidity so that we continue to have the financial resources necessary to take advantage of prudent commercial, research and business development opportunities and to directly enhance shareholder value through dividends and share repurchases. For additional information about our financial condition, liquidity, capital resources, share repurchases and dividends, see the "Analysis of Financial Condition, Liquidity and Capital Resources" section of this Financial Review.

We remain focused on achieving an appropriate cost structure for the Company. For additional information about our cost-reduction and productivity initiatives, see the "Costs and Expenses—Restructuring Charges and Other Costs Associated with Acquisitions and Cost-Reduction/Productivity Initiatives" section of this Financial Review and Notes to Consolidated Financial Statements—*Note 3. Restructuring Charges and Other Costs Associated with Acquisitions and Cost-Reduction/Productivity Initiatives.*

On October 23, 2014, we announced that our Board of Directors had authorized a new $11 billion share-purchase plan. Also, on December 15, 2014, our Board of Directors declared a first-quarter 2015 dividend of $0.28 per share, an increase from the $0.26 per-share quarterly dividend paid during 2014.

On February 9, 2015, we entered into an accelerated share repurchase agreement with Goldman, Sachs & Co. to repurchase $5 billion of our common stock. This agreement was entered into pursuant to our previously announced share repurchase authorization. For additional information, see Notes to Consolidated Financial Statements—*Note 19. Subsequent Events.*

Our Business Development Initiatives

We are committed to capitalizing on growth opportunities by advancing our own pipeline and maximizing the value of our in-line products, as well as through various forms of business development, which can include alliances, licenses, joint ventures, dispositions and acquisitions. We view our business development activity as an enabler of our strategies, and we seek to generate earnings growth and enhance shareholder value by pursuing a disciplined, strategic and financial approach to evaluating business development opportunities. We are especially interested in opportunities in our high-priority therapeutic areas—immunology and inflammation; cardiovascular and metabolic diseases; oncology; vaccines; neuroscience and pain; and rare diseases—and in emerging markets and established products, including biosimilars. We assess our businesses and assets as part of our regular, ongoing portfolio review process and also continue to consider business development activities for our businesses. For additional information, see Notes to Consolidated Financial Statements—*Note 2. Acquisitions, Licensing Agreements, Collaborative Arrangements, Divestitures, and Equity-Method Investments.*

The more significant recent transactions and events are described below.

- Agreement to Acquire Hospira, Inc. (Hospira)—On February 5, 2015, we announced that we have entered into a definitive merger agreement under which we agreed to acquire Hospira, the world's leading provider of injectable drugs and infusion technologies and a global leader in biosimilars, for $90 per share in cash, for a total enterprise value of approximately $17 billion. We expect to finance the transaction through a combination of existing cash and new debt, with approximately two-thirds of the value financed from cash and one-third from debt. The transaction is subject to customary closing conditions, including regulatory approvals in several jurisdictions and the approval of Hospira's shareholders, and is expected to close in the second half of 2015.
- Collaboration with OPKO Health, Inc. (OPKO)—On December 13, 2014, we entered into a collaborative agreement with OPKO to develop and commercialize OPKO's long-acting human growth hormone (hGH-CTP) for the treatment of growth hormone deficiency (GHD) in adults and children, as well as for the treatment of growth failure in children born small for gestational age (SGA) who fail to show catch-up growth by two years of age. hGH-CTP has the potential to reduce the required dosing frequency of human growth hormone to a single weekly injection from the current standard of one injection per day. The transaction closed on January 28, 2015, upon termination of the Hart-Scott-Rodino waiting period. In February 2015, we made an upfront payment of $295 million to OPKO and OPKO is eligible to receive up to an additional $275 million upon the achievement of certain regulatory milestones. We have received the exclusive license to commercialize hGH-CTP worldwide. In addition, OPKO is eligible to receive initial tiered royalty payments associated with the commercialization of hGH-CTP for Adult GHD, which is subject to regulatory approval. Upon the launch of hGH-CTP for Pediatric GHD, which is subject to regulatory approval, the royalties will transition to tiered gross profit sharing for both hGH-CTP and our product, Genotropin. OPKO will lead the clinical activities and will be responsible for funding the development programs for the key indications, which includes Adult and Pediatric GHD and Pediatric SGA. We will be responsible for all development costs for additional indications as well as all post-marketing studies. In addition, we will fund the commercialization activities for all indications and lead the manufacturing activities covered by the global development plan.
- Acquisition of Marketed Vaccines Business of Baxter International Inc. (Baxter)—On December 1, 2014 (which falls in the first fiscal quarter of 2015 for our international operations), we completed the acquisition of Baxter's portfolio of marketed vaccines for $635 million. The portfolio that was acquired consists of NeisVac-C and FSME-IMMUN/TicoVac. NeisVac-C is a vaccine that helps protect against meningitis caused by group C meningococcal meningitis and FSME-IMMUN/TicoVac is a vaccine that helps protect against tick-borne encephalitis. We also acquired a portion of Baxter's facility in Orth, Austria, where these vaccines are manufactured.
- Collaboration with Merck KGaA—On November 17, 2014, we entered into a collaborative agreement with Merck KGaA, to jointly develop and commercialize avelumab, an investigational anti-PD-L1 antibody currently in development as a potential treatment for multiple types of cancer. We and Merck KGaA will explore the therapeutic potential of this novel anti-PD-L1 antibody as a single agent as well as in various combinations with our and Merck KGaA's broad portfolio of approved and investigational oncology therapies. Both companies will collaborate on up to 20 high priority immuno-oncology clinical development programs expected to commence in 2015. These clinical development programs include up to six trials (Phase 2 or 3) that could be pivotal for potential product registrations. We and Merck KGaA will also combine resources and expertise to advance Pfizer's anti-PD-1 antibody into Phase 1 trials. Under the terms of the agreement, we made an upfront payment of $850 million to Merck KGaA and Merck KGaA is eligible to receive regulatory and commercial milestone payments of up to approximately $2.0 billion. Both companies will jointly fund all development and commercialization costs, and split

equally any profits generated from selling any anti-PD-L1 or anti-PD-1 products from this collaboration. Also, as part of the agreement, we gave Merck KGaA certain co-promotion rights for Xalkori in the U.S. and several other key markets. In 2014, we recorded $1.2 billion of *Research and development expenses* associated with this collaborative arrangement, composed of the $850 million upfront cash payment as well as an additional amount of $309 million, reflecting the estimated fair value of the co-promotion rights given to Merck KGaA.

- Acquisition of InnoPharma, Inc. (InnoPharma)—On September 24, 2014, we completed our acquisition of InnoPharma, a privately-held pharmaceutical development company, for an upfront cash payment of $225 million and contingent consideration of up to $135 million.
- License from Cellectis SA (Cellectis)—On June 18, 2014, we entered into a global arrangement with Cellectis to develop Chimeric Antigen Receptor T-cell immunotherapies in the field of oncology directed at select cellular surface antigen targets. In August 2014, we made an upfront payment of $80 million to Cellectis, which was recorded in *Research and development expenses*. We will also fund research and development costs associated with 15 Pfizer-selected targets and, for the benefit of Cellectis, a portion of the research and development costs associated with four Cellectis-selected targets within the arrangement. Cellectis is eligible to receive development, regulatory and commercial milestone payments of up to $185 million per product that results from the Pfizer-selected targets. Cellectis is also eligible to receive tiered royalties on net sales of any products that are commercialized by Pfizer.
- Investment in ViiV Healthcare Limited (ViiV)—On January 21, 2014, the European Commission approved Tivicay (dolutegravir), a product for the treatment of HIV-1 infection, developed by ViiV, an equity-method investee. This approval, in accordance with the agreement between GlaxoSmithKline plc and Pfizer, triggered a reduction in our equity interest in ViiV from 12.6% to 11.7% and an increase in GlaxoSmithKline plc's equity interest in ViiV from 77.4% to 78.3%, effective April 1, 2014. As a result, in 2014, we recognized a loss of approximately $30 million in *Other (income)/deductions—net*. We continue to account for our investment in ViiV under the equity method due to the significant influence that we continue to have through our board representation and minority veto rights.
- Collaboration with Eli Lilly & Company (Lilly)—In October 2013, we entered into a collaboration agreement with Lilly to jointly develop and globally commercialize Pfizer's tanezumab, which provides that Pfizer and Lilly will equally share product-development expenses as well as potential revenues and certain product-related costs. The tanezumab program currently is subject to a partial clinical hold by the FDA pending review of additional nonclinical data. Under the agreement with Lilly, we are eligible to receive certain payments from Lilly upon the achievement of specified clinical, regulatory and commercial milestones, including an upfront payment of $200 million that is contingent upon the parties continuing in the collaboration after receipt of the FDA's response to the submission of the nonclinical data. Both Pfizer and Lilly have the right to terminate the agreement under certain conditions.
- Divestiture of Zoetis—On June 24, 2013, we completed the full disposition of Zoetis. The full disposition was completed through a series of steps, including, in the first quarter of 2013, the formation of Zoetis and an initial public offering (IPO) of an approximate 19.8% interest in Zoetis and, in the second quarter of 2013, an exchange offer for the remaining 80.2% interest.
- Collaboration with Merck & Co., Inc. (Merck)—On April 29, 2013, we announced that we entered into a worldwide (except Japan) collaboration agreement with Merck for the development and commercialization of Pfizer's ertugliflozin (PF-04971729), an investigational oral sodium glucose cotransporter (SGLT2) inhibitor currently in Phase 3 development for the treatment of type 2 diabetes.
- Investment in Hisun Pfizer Pharmaceuticals Company Limited (Hisun Pfizer)—On September 6, 2012, we and Zhejiang Hisun Pharmaceuticals Co., Ltd. (Hisun), a leading pharmaceutical company in China, formed a new company, Hisun Pfizer, to develop, manufacture, market and sell pharmaceutical products, primarily branded generic products, predominately in China. In the first quarter of 2013, we and Hisun contributed certain assets to Hisun Pfizer. Hisun Pfizer is 49% owned by Pfizer and 51% owned by Hisun. Our contributions constituted a business, as defined by U.S. GAAP, and in 2013, we recognized a pre-tax gain of approximately $459 million in *Other (income)/deductions—net*.
- License of Nexium OTC Rights—In August 2012, we entered into an agreement with AstraZeneca PLC (AstraZeneca) for the exclusive, global, over-the-counter (OTC) rights for Nexium, a leading prescription drug approved to treat the symptoms of gastroesophageal reflux disease. In connection with this Consumer Healthcare licensing agreement, we made an upfront payment of $250 million to AstraZeneca, which was recorded in *Research and development expenses* in our consolidated statement of income for the year ended December 31, 2012. On May 27, 2014, we launched Nexium 24HR in the U.S., and on July 11, 2014, we paid AstraZeneca a related $200 million product launch milestone payment; and on August 1, 2014, we launched Nexium Control in Europe, and on September 15, 2014, we paid AstraZeneca a related $50 million product launch milestone payment. These post-approval milestone payments were recorded in *Identifiable intangible assets, less accumulated amortization* in the consolidated balance sheet and will be amortized over the estimated useful life of the Nexium brand. AstraZeneca is eligible to receive additional milestone payments of up to $300 million, based on product launches outside the U.S. and level of worldwide sales as well as royalty payments, based on worldwide sales.
- Divestiture of Nutrition Business—On November 30, 2012, we completed the sale of our Nutrition business to Nestlé for $11.85 billion in cash.
- Acquisition of NextWave Pharmaceuticals Incorporated (NextWave)—On November 27, 2012, we completed our acquisition of NextWave, a privately-held, specialty pharmaceutical company. As a result of the acquisition, we hold exclusive North American rights to Quillivant XR™ (methylphenidate hydrochloride), the first once-daily liquid medication approved in the U.S. for the treatment of attention deficit hyperactivity disorder.
- Acquisition of Alacer Corp. (Alacer)—On February 26, 2012, we completed our acquisition of Alacer, a company that manufactured, marketed and distributed Emergen-C, a line of effervescent, powdered drink mix vitamin supplements.

Our Financial Guidance for 2015

The following table provides our financial guidance for full year 2015[a], [b]:

Reported revenues	$44.5 to $46.5 billion
Adjusted cost of sales as a percentage of reported revenues	18.5% to 19.5%
Adjusted selling, informational and administrative expenses	$12.8 to $13.8 billion
Adjusted research and development expenses	$6.9 to $7.4 billion
Adjusted other (income)/deductions	Approximately ($500 million) of income
Effective tax rate on adjusted income	Approximately 25.0%
Reported diluted Earnings per Share (EPS)	$1.37 to $1.52
Adjusted diluted EPS	$2.00 to $2.10

The following table provides a reconciliation of 2015 Adjusted income and Adjusted diluted EPS guidance to the 2015 Reported net income attributable to Pfizer Inc. and Reported diluted EPS attributable to Pfizer Inc. common shareholders guidance:

	Full-Year 2015 Guidance[a], [b]	
(BILLIONS OF DOLLARS, EXCEPT PER SHARE AMOUNTS)	Net Income	Diluted EPS
Adjusted income/diluted EPS guidance	$12.4 - $13.0	$2.00 - $2.10
Purchase accounting impacts of transactions completed as of December 31, 2014	(2.5)	(0.41)
Restructuring and implementation costs	(0.8) - (1.1)	(0.13) - (0.18)
Business and legal entity alignment costs	(0.3)	(0.04)
Reported net income attributable to Pfizer Inc./diluted EPS guidance	$8.5 - $9.4	$1.37 - $1.52

[a] The 2015 financial guidance reflects the following:

- Our guidance for reported revenues reflects the anticipated negative impact of $3.5 billion due to recent and expected product losses of exclusivity as well as $2.8 billion as a result of recent adverse changes in essentially all foreign exchange rates relative to the U.S. dollar compared to foreign exchange rates from 2014, partially offset by anticipated revenue growth from certain other products.
- Guidance for adjusted R&D expenses reflects the $295 million upfront payment made to OPKO in February 2015. See "Our Business Development Initiatives" above.
- Our reported and adjusted diluted EPS guidance reflects: (i) a $0.17 unfavorable impact as a result of adverse changes in foreign exchange rates from 2014; (ii) a $0.03 reduction for the upfront payment associated with the transaction with OPKO; (iii) planned share repurchases totaling approximately $6 billion in 2015, including $1 billion of our shares repurchased through February 27, 2015 and our $5 billion accelerated share repurchase program announced on February 9, 2015; and (iv) assumed diluted weighted-average shares outstanding of approximately 6.2 billion shares, which is inclusive of these share repurchase transactions.
- Does not assume the completion of any business-development transactions not completed as of December 31, 2014, including any one-time upfront payments associated with such transactions, except for the $295 million upfront payment made to OPKO in February 2015. Our 2015 financial guidance does not reflect any impact from our proposed acquisition of Hospira. We expect that transaction to close during the second half of 2015.
- Excludes the potential effects of the resolution of litigation-related matters.
- Exchange rates assumed are as of mid-January 2015. Excludes the impact of a potential devaluation of the Venezuelan bolivar or any other currency.
- Guidance for the effective tax rate on adjusted income does not assume renewal of the U.S. research and development (R&D) tax credit. The renewal of the U.S. R&D tax credit is not anticipated to have a material impact on the effective tax rate on adjusted income.

[b] For an understanding of Adjusted income and its components and Adjusted diluted EPS (all of which are non-GAAP financial measures), see the "Adjusted Income" section of this Financial Review.

For additional information about our actual and anticipated costs and cost savings associated with our cost-reduction initiatives and our new global commercial structure, see the "Costs and Expenses—Restructuring Charges and Other Costs Associated with Acquisitions and Cost-Reduction/Productivity Initiatives" section of this Financial Review and Notes to Consolidated Financial Statements—*Note 3. Restructuring Charges and Other Costs Associated with Acquisitions and Cost-Reduction/Productivity Initiatives*.

Our 2015 financial guidance is subject to a number of factors and uncertainties—as described in the "Our Operating Environment", "Our Strategy" and "Forward-Looking Information and Factors That May Affect Future Results" sections of this Financial Review and Part I, Item 1A, "Risk Factors," of our 2014 Annual Report on Form 10-K.

SIGNIFICANT ACCOUNTING POLICIES AND APPLICATION OF CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS

For a description of our significant accounting policies, see Notes to Consolidated Financial Statements—*Note 1. Basis of Presentation and Significant Accounting Policies*. Of these policies, the following are considered critical to an understanding of our consolidated financial statements as they require the application of the most subjective and the most complex judgments: (i) Acquisitions (Note 1D); (ii) Fair Value (Note 1E); (iii) Revenues (Note 1G); (iv) Asset Impairments (Note 1K); (v) Pension and Postretirement Benefit Plans (Note 1P); and (vi) Contingencies, including Tax Contingencies (Note 1O) and Legal and Environmental Contingencies (Note 1Q).

Following is a discussion about the critical accounting estimates and assumptions impacting our consolidated financial statements. See also Estimates and Assumptions (Note 1C) for a discussion about the risks associated with estimates and assumptions.

Acquisitions and Fair Value

For a discussion about the application of Fair Value to our recent acquisitions, see Notes to Consolidated Financial Statements—*Note 2A. Acquisitions, Licensing Agreements, Collaborative Arrangements, Divestitures, and Equity-Method Investments: Acquisitions.*

For a discussion about the application of Fair Value to our investments, see Notes to Consolidated Financial Statements—*Note 7A. Financial Instruments: Selected Financial Assets and Liabilities*.

For a discussion about the application of Fair Value to our benefit plan assets, see Notes to Consolidated Financial Statements—*Note 11D. Pension and Postretirement Benefit Plans and Defined Contribution Plans: Plan Assets*.

For a discussion about the application of Fair Value to our asset impairment reviews, see “Asset Impairment Reviews” below.

Revenues

Our gross product revenues are subject to a variety of deductions, that are generally estimated and recorded in the same period that the revenues are recognized, and primarily represent rebates, chargebacks and sales allowances to government agencies, wholesalers/distributors and managed care organizations with respect to our pharmaceutical products.

Those deductions represent estimates of rebates and discounts related to gross sales for the reporting period and, as such, knowledge and judgment of market conditions and practice are required when estimating the impact of these revenue deductions on gross sales for a reporting period. Historically, our adjustments of estimates, to reflect actual results or updated expectations, have not been material to our overall business. On a quarterly basis, our adjustments of estimates to reflect actual results generally have been less than 1% of biopharmaceutical revenues, and have resulted in either a net increase or a net decrease in revenues. Product-specific rebates, however, can have a significant impact on year-over-year individual product growth trends. If any of our ratios, factors, assessments, experiences or judgments are not indicative or accurate predictors of our future experience, our results could be materially affected. The sensitivity of our estimates can vary by program, type of customer and geographic location. However, estimates associated with U.S. Medicare, Medicaid and performance-based contract rebates are most at risk for material adjustment because of the extensive time delay between the recording of the accrual and its ultimate settlement, an interval that can generally range up to one year. Because of this time lag, in any given quarter, our adjustments to actual can incorporate revisions of several prior quarters.

Asset Impairment Reviews

We review all of our long-lived assets for impairment indicators throughout the year. We perform impairment testing for indefinite-lived intangible assets and goodwill at least annually and for all other long-lived assets whenever impairment indicators are present. When necessary, we record charges for impairments of long-lived assets for the amount by which the fair value is less than the carrying value of these assets. Our impairment review processes are described in the Notes to Consolidated Financial Statements—*Note 1K. Basis of Presentation and Significant Accounting Policies: Amortization of Intangible Assets, Depreciation and Certain Long-Lived Assets*.

Examples of events or circumstances that may be indicative of impairment include:

- A significant adverse change in legal factors or in the business climate that could affect the value of the asset. For example, a successful challenge of our patent rights would likely result in generic competition earlier than expected.
- A significant adverse change in the extent or manner in which an asset is used. For example, restrictions imposed by the FDA or other regulatory authorities could affect our ability to manufacture or sell a product.
- A projection or forecast that indicates losses or reduced profits associated with an asset. This could result, for example, from a change in a government reimbursement program that results in an inability to sustain projected product revenues and profitability. This also could result from the introduction of a competitor’s product that results in a significant loss of market share or the inability to achieve the previously projected revenue growth, as well as the lack of acceptance of a product by patients, physicians and payers. For in-process research and development (IPR&D) projects, this could result from, among other things, a change in outlook based on clinical trial data, a delay in the projected launch date or additional expenditures to commercialize the product.

Identifiable Intangible Assets

As a result of our identifiable intangible asset impairment review work, we recognized a number of impairments of identifiable intangible assets for the years ended December 31, 2014, 2013 and 2012. See Notes to Consolidated Financial Statements—*Note 4. Other (Income)/Deductions—Net.*

When we are required to determine the fair value of intangible assets other than goodwill, we use an income approach, specifically the discounted cash flow method. We start with a forecast of all the expected net cash flows associated with the asset, which includes the application of a terminal value for indefinite-lived assets, and then we apply an asset-specific discount rate to arrive at a net present value amount. Some of the more significant estimates and assumptions inherent in this approach include: the amount and timing of the projected net cash flows, which includes the expected impact of competitive, legal and/or regulatory forces on the projections and the impact of technological risk associated with IPR&D assets, as well as the selection of a long-term growth rate; the discount rate, which seeks to reflect the various risks inherent in the projected cash flows; and the tax rate, which seeks to incorporate the geographic diversity of the projected cash flows.

While all intangible assets other than goodwill can face events and circumstances that can lead to impairment, in general, intangible assets other than goodwill that are most at risk of impairment include IPR&D assets (approximately $387 million as of December 31, 2014) and newly acquired or recently impaired indefinite-lived brand assets (approximately $300 million as of December 31, 2014). IPR&D assets are high-risk assets, as research and development is an inherently risky activity. Newly acquired and recently impaired indefinite-lived assets are more vulnerable to impairment as the assets are recorded at fair value and are then subsequently measured at the lower of fair value or carrying value at the end of each reporting period. As such, immediately after acquisition or impairment, even small declines in the outlook for these assets can negatively impact our ability to recover the carrying value and can result in an impairment charge.

Goodwill

As a result of our goodwill impairment review work, we concluded that none of our goodwill was impaired as of December 31, 2014, and we do not believe the risk of impairment is significant at this time.

When we are required to determine the fair value of a reporting unit, as appropriate for the individual reporting unit, we mainly use the income approach but we may also use the market approach, or a weighted-average combination of both approaches.

- The income approach is a forward-looking approach to estimating fair value and relies primarily on internal forecasts. Within the income approach, the method that we use is the discounted cash flow method. We start with a forecast of all the expected net cash flows associated with the reporting unit, which includes the application of a terminal value, and then we apply a reporting unit-specific discount rate to arrive at a net present value amount. Some of the more significant estimates and assumptions inherent in this approach include: the amount and timing of the projected net cash flows, which includes the expected impact of technological risk and competitive, legal and/or regulatory forces on the projections, as well as the selection of a long-term growth rate; the discount rate, which seeks to reflect the various risks inherent in the projected cash flows; and the tax rate, which seeks to incorporate the geographic diversity of the projected cash flows.
- The market approach is a historical approach to estimating fair value and relies primarily on external information. Within the market approach are two methods that we may use:
  - Guideline public company method—this method employs market multiples derived from market prices of stocks of companies that are engaged in the same or similar lines of business and that are actively traded on a free and open market and the application of the identified multiples to the corresponding measure of our reporting unit's financial performance.
  - Guideline transaction method—this method relies on pricing multiples derived from transactions of significant interests in companies engaged in the same or similar lines of business and the application of the identified multiples to the corresponding measure of our reporting unit's financial performance.

  The market approach is only appropriate when the available external information is robust and deemed to be a reliable proxy for the specific reporting unit being valued; however, these assessments may prove to be incomplete or inaccurate. Some of the more significant estimates and assumptions inherent in this approach include: the selection of appropriate guideline companies and transactions and the determination of applicable premiums and discounts based on any differences in ownership percentages, ownership rights, business ownership forms or marketability between the reporting unit and the guideline companies and transactions.

Specifically:

- When we estimate the fair value of our four biopharmaceutical reporting units, we rely solely on the income approach. We use the income approach exclusively as the use of the comparable guideline company method is not practical or reliable. For the income approach, we use the discounted cash flow method.
- When we estimate the fair value of our Consumer Healthcare reporting unit, we use a combination of approaches and methods. We use the income approach and the market approach, which we weight equally in our analysis. We weight them equally as we have equal confidence in the appropriateness of the approaches for this reporting unit. For the income approach, we use the discounted cash flow method and for the market approach, we use both the guideline public company method and the guideline transaction method, which we weight equally to arrive at our market approach value.

Our Consumer Healthcare reporting unit has the narrowest difference between estimated fair value and estimated book value. However, we believe that it would take a significant negative change in the undiscounted cash flows, the discount rate and/or the market multiples in the consumer industry for the Consumer Healthcare reporting unit goodwill to be impaired. Our Consumer Healthcare reporting unit performance and consumer healthcare industry market multiples are highly correlated with the overall economy and our specific performance is also

dependent on our and our competitors' innovation and marketing effectiveness, and on regulatory developments affecting claims, formulations and ingredients of our products.

For all of our reporting units, there are a number of future events and factors that may impact future results and that could potentially have an impact on the outcome of subsequent goodwill impairment testing. For a list of these factors, see the "Forward-Looking Information and Factors That May Affect Future Results" section of this Financial Review and Part I. Item 1A "Risk Factors" in our 2014 Annual Report on Form 10-K.

Benefit Plans

The majority of our employees worldwide are covered by defined benefit pension plans, defined contribution plans or both. In the U.S., we have both Internal Revenue Code qualified and supplemental (non-qualified) defined benefit plans and defined contribution plans, as well as other postretirement benefit plans consisting primarily of medical insurance for retirees.

The accounting for benefit plans is highly dependent on actuarial estimates, assumptions and calculations, which can result from a complex series of judgments about future events and uncertainties. The assumptions and actuarial estimates required to estimate the employee benefit obligations for the defined benefit and postretirement plans include the discount rate; expected salary increases; certain employee-related factors, such as turnover, retirement age and mortality (life expectancy); and healthcare cost trend rates.

As of December 31, 2014, our Pension benefit obligations, net and our Postretirement benefit obligations, net increased, in the aggregate, by approximately $3.0 billion compared to December 31, 2013. The increase reflects, among other things, a decrease in our discount rate assumptions, used in the measurement of the plan obligations, as well as the impact of a change to the postretirement medical benefit plan and revised mortality assumptions (see below).

In the fourth quarter of 2014, we approved a change, effective January 1, 2016, to the postretirement medical plan to transfer certain plan participants to a retiree drug coverage program eligible for a Medicare Part D plan subsidy (Employer Group Waiver Plan). This change resulted in a decrease to the postretirement benefit obligation of approximately $600 million as of December 31, 2014.

On October 27, 2014, the Society of Actuaries (SOA) issued a new mortality table, called the SOA RP-2014 mortality table. The new SOA mortality table was created using data from 2006 and applying updated estimates of projected mortality rate improvements. The updated mortality rate projections assume that the high mortality rate improvements observed in the early 2000s will not continue, but will normalize to an ultimate improvement rate of 1.00% over a twenty-year period. In estimating our U.S. plan-specific mortality assumptions, we are using the same data and methodology used by the SOA, except that we project that the mortality rate improvements will normalize to an ultimate improvement rate of 0.75%, which is more closely aligned with the scale used by the United States Social Security Administration, and that the rate will normalize over a ten-year period. The projected benefit obligation (for defined benefit pension plans), and the accumulated postretirement benefit obligation (for postretirement plans), increased by approximately $580 million as a result of the revised mortality assumptions.

Our assumptions reflect our historical experiences and our judgment regarding future expectations that have been deemed reasonable by management. The judgments made in determining the costs of our benefit plans can materially impact our results of operations.

The following table provides the expected versus actual rate of return on plan assets and the weighted-average discount rate used to measure the benefit obligations for our U.S. qualified pension plans and our international pension plans[(a)]:

	2014	2013	2012
U.S. Qualified Pension Plans			
Expected annual rate of return on plan assets	**8.3%**	8.5%	8.5%
Actual annual rate of return on plan assets	**6.8**	11.3	12.7
Discount rate used to measure the plan obligations	**4.2**	5.2	4.3
International Pension Plans			
Expected annual rate of return on plan assets	**5.5**	5.8	5.6
Actual annual rate of return on plan assets	**13.2**	13.1	9.6
Discount rate used to measure the plan obligations	**3.0**	3.9	3.8

[(a)] For detailed assumptions associated with our benefit plans, see Notes to Consolidated Financial Statements—*Note 11B. Pension and Postretirement Benefit Plans and Defined Contribution Plans: Actuarial Assumptions.*

Expected Annual Rate of Return on Plan Assets

The assumptions for the expected annual rate of return on all of our plan assets reflect our actual historical return experience and our long-term assessment of forward-looking return expectations by asset classes, which is used to develop a weighted-average expected return based on the implementation of our targeted asset allocation in our respective plans.

The expected annual rate of return on plan assets for our U.S. plans and the majority of our international plans is applied to the fair value of plan assets at each year-end and the resulting amount is reflected in our net periodic benefit costs in the following year. In January 2015, Pfizer made a voluntary contribution of approximately $1.0 billion to plan assets. In 2015, this contribution will be included in the plan asset balance for purposes of determining the expected rate of return on plan assets.

The following table illustrates the sensitivity of net periodic benefit costs to a 50 basis point decline in our assumption for the expected annual rate of return on plan assets, holding all other assumptions constant (in millions, pre-tax):

	Change	Increase in 2015 Net Periodic Benefit Costs
Assumption		
Expected annual rate of return on plan assets	50 basis point decline	$109

The actual return on plan assets resulted in an increase in our aggregate plan assets of approximately $1.9 billion during 2014.

Discount Rate Used to Measure Plan Obligations

The weighted-average discount rate used to measure the plan obligations for our U.S. defined benefit plans is determined at least annually and evaluated and modified, as required, to reflect the prevailing market rate of a portfolio of high-quality fixed income investments, rated AA/Aa or better, that reflect the rates at which the pension benefits could be effectively settled. The discount rate used to measure the plan obligations for our international plans is determined at least annually by reference to investment grade corporate bonds, rated AA/Aa or better, including, when there are sufficient data, a yield-curve approach. These discount rate determinations are made in consideration of local requirements.

The measurement of the plan obligations at the end of the year will affect the amount of service cost, interest cost and amortization expense reflected in our net periodic benefit costs in the following year.

The following table illustrates the sensitivity of net periodic benefit costs and benefit obligations to a 10 basis point decline in our assumption for the discount rate, holding all other assumptions constant (in millions, pre-tax):

	Change	2015 Net Periodic Benefit Costs	2014 Benefit Obligations
Assumption		Increase	Increase
Discount rate	10 basis point decline	$36	$480

The change in the discount rates used in measuring our plan obligations as of December 31, 2014 resulted in an increase in the measurement of our aggregate plan obligations by approximately $4.3 billion.

Contingencies

For a discussion about income tax contingencies, see Notes to Consolidated Financial Statements—*Note 5D. Tax Matters: Tax Contingencies.*

For a discussion about legal and environmental contingencies, guarantees and indemnifications, see Notes to Consolidated Financial Statements—*Note 17. Commitments and Contingencies*.

ANALYSIS OF THE CONSOLIDATED STATEMENTS OF INCOME

	Year Ended December 31,			% Change	
(MILLIONS OF DOLLARS)	**2014**	2013	2012	14/13	13/12
Revenues	**$ 49,605**	$ 51,584	$ 54,657	**(4)**	(6)
Cost of sales	**9,577**	9,586	9,821	**—**	(2)
% of revenues	**19.3%**	18.6%	18.0%		
Selling, informational and administrative expenses	**14,097**	14,355	15,171	**(2)**	(5)
% of revenues	**28.4%**	27.8%	27.8%		
Research and development expenses	**8,393**	6,678	7,482	**26**	(11)
% of revenues	**16.9%**	12.9%	13.7%		
Amortization of intangible assets	**4,039**	4,599	5,109	**(12)**	(10)
% of revenues	**8.1%**	8.9%	9.3%		
Restructuring charges and certain acquisition-related costs	**250**	1,182	1,810	**(79)**	(35)
% of revenues	**0.5%**	2.3%	3.3%		
Other (income)/deductions—net	**1,009**	(532)	4,022	*	*
Income from continuing operations before provision for taxes on income	**12,240**	15,716	11,242	**(22)**	40
% of revenues	**24.7%**	30.5%	20.6%		
Provision for taxes on income	**3,120**	4,306	2,221	**(28)**	94
Effective tax rate	**25.5%**	27.4%	19.8%		
Income from continuing operations	**9,119**	11,410	9,021	**(20)**	26
% of revenues	**18.4%**	22.1%	16.5%		
Discontinued operations—net of tax	**48**	10,662	5,577	**(100)**	91
Net income before allocation to noncontrolling interests	**9,168**	22,072	14,598	**(58)**	51
% of revenues	**18.5%**	42.8%	26.7%		
Less: Net income attributable to noncontrolling interests	**32**	69	28	**(53)**	146
Net income attributable to Pfizer Inc.	**$ 9,135**	$ 22,003	$ 14,570	**(58)**	51
% of revenues	**18.4%**	42.7%	26.7%		

Certain amounts and percentages may reflect rounding adjustments.
* Calculation not meaningful.

Revenues—Overview

Total revenues were $49.6 billion in 2014, a decrease of 4% compared to 2013, which reflects an operational decrease of $1.1 billion, or 2%, and unfavorable foreign exchange of $912 million, or 2%, in 2014 compared to 2013. The operational decrease was primarily the result of:

- the expiration of the co-promotion term of the collaboration agreement for Enbrel in the U.S. and Canada (approximately $1.4 billion);
- the loss of exclusivity and subsequent multi-source generic competition for Detrol LA, Celebrex and Geodon in the U.S., Viagra in most major European markets, and Aricept and Lyrica in Canada (aggregate decline of approximately $937 million) and certain other products(approximately $300 million);
- the continued erosion of branded Lipitor in the U.S. and most other developed markets due to generic competition and the operational decline of certain products, including Norvasc, Effexor, atorvastatin, Metaxalone, Zosyn/Tazocin, Ziprasidone, Genotropin, Tygacil, Centrum, Advil and Vfend (approximately $938 million); and
- the ongoing termination of the Spiriva collaboration in certain countries (approximately $490 million),

partially offset by:

- the operational growth of certain products in certain developed markets, including Lyrica, Prevnar, Eliquis, Xeljanz, Xalkori, Inlyta and Nexium 24HR in the U.S. as a result of its May 2014 launch, among others (approximately $1.8 billion); and
- a 7% operational increase in revenues in emerging markets (approximately $900 million), including strong operational growth from Prevenar as well as from Lipitor, primarily in China, and from Enbrel, primarily in Latin America.

Total revenues were $51.6 billion in 2013, a decrease of 6% compared to 2012, which reflects an operational decrease of $1.9 billion, or 4%, and unfavorable foreign exchange of approximately $1.2 billion, or 2%, in 2013 compared to 2012.

The operational decrease was primarily the result of:

- the continued erosion of branded Lipitor in the U.S., developed Europe and certain other developed markets (approximately $1.7 billion);
- the loss of exclusivity for Geodon in March 2012 in the U.S. (approximately $130 million) and other product losses of exclusivity (approximately $1.3 billion in the aggregate, none individually significant);

- the ongoing expiration of the Spiriva collaboration in certain countries (approximately $475 million);
- decreased government purchases of the Prevnar family of products and Enbrel in certain emerging markets (approximately $160 million); and
- lower revenues from generic atorvastatin (approximately $145 million),

partially offset by:

- the growth of certain products, including Lyrica, Inlyta, Celebrex and Xalkori in developed markets and Xeljanz in the U.S. (approximately $1.1 billion);
- the overall growth in the rest of emerging markets (approximately $751 million), excluding the aforementioned decrease in the government purchases of the Prevnar family of products and Enbrel;
- the overall growth in the Consumer Healthcare business unit (approximately $153 million); and
- revenues from the transitional manufacturing and supply agreements with Zoetis (approximately $132 million).

See the "Intellectual Property Rights and Collaboration/Licensing Rights" section of this Financial Report for information about (i) recent losses of product exclusivity impacting product revenues, (ii) recent and expected losses of collaboration rights impacting alliance revenues and (iii) losses and expected losses of product exclusivity in 2015.

In addition, we expect to lose exclusivity for various other products in various markets over the next few years. For additional information, see the "Patents and Other Intellectual Property Rights" section in Part I, Item 1, "Business", of our 2014 Annual Report on Form 10-K.

Revenues exceeded $500 million in each of 13, 12 and 14 countries outside the U.S. in 2014, 2013 and 2012, respectively. The U.S. is our largest national market, comprising 38% of total revenues in 2014 and 39% of total revenues in both 2013 and 2012. Japan is our second-largest national market, with approximately 9%, 10% and 12% of total revenues in 2014, 2013 and 2012, respectively.

Our policy relating to the supply of pharmaceutical inventory at domestic wholesalers, and in major international markets, is to generally maintain stocking levels under one month on average and to keep monthly levels consistent from year to year based on patterns of utilization. We historically have been able to closely monitor these customer stocking levels by purchasing information from our customers directly or by obtaining other third-party information. We believe our data sources to be directionally reliable but cannot verify their accuracy. Further, as we do not control this third-party data, we cannot be assured of continuing access. Unusual buying patterns and utilization are promptly investigated.

Our gross product revenues are subject to a variety of deductions, that generally are estimated and recorded in the same period that the revenues are recognized, and primarily represent rebates, chargebacks and sales allowances to government agencies, wholesalers/distributors and managed care organizations with respect to our pharmaceutical products. Those deductions represent estimates of rebates and discounts related to gross sales for the reporting period and, as such, knowledge and judgment of market conditions and practice are required when estimating the impact of these revenue deductions on gross sales for a reporting period. Historically, our adjustments of estimates, to reflect actual results or updated expectations, have not been material to our overall business. On a quarterly basis, our adjustments of estimates to reflect actual results generally have been less than 1% of biopharmaceutical revenues, and have resulted in either a net increase or a net decrease in revenues. Product-specific rebates, however, can have a significant impact on year-over-year individual product growth trends. If any of our ratios, factors, assessments, experiences or judgments are not indicative or accurate predictors of our future experience, our results could be materially affected. The sensitivity of our estimates can vary by program, type of customer and geographic location. However, estimates associated with U.S. Medicare, Medicaid and performance-based contract rebates are most at risk for material adjustment because of the extensive time delay between the recording of the accrual and its ultimate settlement, an interval that can generally range up to one year. Because of this time lag, in any given quarter, our adjustments to actual can incorporate revisions of several prior quarters.

The following table provides information about deductions from revenues:

	Year Ended December 31,		
(MILLIONS OF DOLLARS)	**2014**	2013	2012
Medicare rebates[a]	**$ 1,077**	$ 887	$ 741
Medicaid and related state program rebates[a]	**779**	508	853
Performance-based contract rebates[a], [b]	**2,219**	2,117	1,852
Chargebacks[c]	**3,755**	3,569	3,648
Sales allowances[d]	**4,547**	4,395	4,525
Sales returns and cash discounts	**1,279**	1,225	1,263
Total[e]	**$ 13,656**	$ 12,701	$ 12,882

[a] Rebates are product-specific and, therefore, for any given year are impacted by the mix of products sold.

[b] Performance-based contract rebates include contract rebates with managed care customers within the U.S., including health maintenance organizations and pharmacy benefit managers, who receive rebates based on the achievement of contracted performance terms and claims under these contracts. Outside the U.S., performance-based contract rebates include rebates to wholesalers/distributors based on achievement of contracted performance for specific products or sales milestones.

[c] Chargebacks primarily represent reimbursements to U.S. wholesalers for honoring contracted prices to third parties.

[d] Sales allowances primarily represent price reductions that are contractual or legislatively mandated outside the U.S., discounts and distribution fees.

[e] For 2014, associated with the following segments: GIP ($3.3 billion); VOC ($1.2 billion); and GEP ($9.1 billion). For 2013, associated with the following segments: GIP ($2.8 billion); VOC ($1.0 billion); and GEP ($8.9 billion). For 2012, associated with the following segments: GIP ($2.2 billion); VOC ($1.0 billion); and GEP ($9.6 billion).

The total deductions from revenues for 2014 increased compared to 2013, primarily as a result of:

- an increase in Medicare rebates due to higher volume of sales in the Medicare patient population;
- an increase in Medicaid and related state program rebates, primarily as a result of a change in our estimates of sales related to these programs;
- an increase in performance-based contract rebates as a result of contract arrangements and incentives, primarily in Europe;
- an increase in chargebacks for certain branded products as well as products that have lost exclusivity; and
- an increase in sales allowances primarily in Asia and Europe.

Our accruals for Medicaid and related state program rebates, Medicare rebates, performance-based contract rebates, chargebacks, sales allowances and sales returns and cash discounts totaled $3.4 billion as of December 31, 2014, of which approximately $2.0 billion is included in *Other current liabilities,* $300 million is included in *Other noncurrent liabilities* and approximately $1.1 billion is included against *Accounts receivable, less allowance for doubtful accounts*, in our consolidated balance sheet. Our accruals for Medicaid and related state program rebates, Medicare rebates, performance-based contract rebates, chargebacks, sales allowances and sales returns and cash discounts totaled $3.3 billion as of December 31, 2013, of which approximately $2.1 billion is included in *Other current liabilities,* $234 million is included in *Other noncurrent liabilities* and approximately $1.0 billion is included against *Accounts receivable, less allowance for doubtful accounts*, in our consolidated balance sheet.

Revenues by Segment and Geographic Area

The following table provides worldwide revenues by operating segment and geographic area:

	Year Ended December 31,									% Change					
	Worldwide			U.S.			International			Worldwide		U.S.		International	
(MILLIONS OF DOLLARS)	**2014**	2013	2012	**2014**	2013	2012	**2014**	2013	2012	**14/13**	13/12	**14/13**	13/12	**14/13**	13/12
Operating Segments[a]:															
GIP	**$ 13,861**	$ 14,317	$ 13,756	**$ 6,243**	$ 6,810	$ 6,429	**$ 7,619**	$ 7,507	$ 7,327	**(3)**	4	**(8)**	6	**1**	2
VOC	**10,144**	9,285	8,991	**4,715**	4,122	3,987	**5,428**	5,163	5,005	**9**	3	**14**	3	**5**	3
GEP	**25,149**	27,619	31,678	**7,903**	9,217	10,818	**17,245**	18,400	20,860	**(9)**	(13)	**(14)**	(15)	**(6)**	(12)
	49,154	51,221	54,426	**18,861**	20,149	21,234	**30,292**	31,070	33,192	**(4)**	(6)	**(6)**	(5)	**(3)**	(6)
Other[b]	**451**	364	231	**212**	124	79	**239**	240	152	**24**	58	**71**	57	**—**	58
Total revenues	**$ 49,605**	$ 51,584	$ 54,657	**$ 19,073**	$ 20,274	$ 21,313	**$ 30,531**	$ 31,310	$ 33,344	**(4)**	(6)	**(6)**	(5)	**(2)**	(6)
Biopharmaceutical	**$ 45,708**	$ 47,878	$ 51,214	**$ 17,164**	$ 18,570	$ 19,708	**$ 28,544**	$ 29,308	$ 31,506	**(5)**	(7)	**(8)**	(6)	**(3)**	(7)

[a] GIP = the Global Innovative Pharmaceutical segment; VOC = the Global Vaccines, Oncology and Consumer Healthcare segment; and GEP = the Global Established Pharmaceutical segment.

[b] Primarily includes revenues generated from Pfizer CentreSource, our contract manufacturing and bulk pharmaceutical chemical sales organization, and also includes, in 2014 and 2013, revenues related to our transitional manufacturing and supply agreements with Zoetis.

Biopharmaceutical Revenues

Revenues from biopharmaceutical products contributed approximately 92% of our total revenues in 2014, 93% of our total revenues in 2013 and 94% of our total revenues in 2012.

We recorded direct product sales of more than $1 billion for each of 10 biopharmaceutical products in 2014, 2013 and 2012. These products represent 54% of our revenues from biopharmaceutical products in 2014, 51% of our revenues from biopharmaceutical products in 2013 and 50% of our revenues from biopharmaceutical products in 2012.

2014 v. 2013

Worldwide revenues from biopharmaceutical products in 2014 were $45.7 billion, a decrease of 5% compared to 2013. In addition to the operational factors noted in the *Revenues—Overview* section of this *Analysis of the Consolidated Statements of Income,* foreign exchange unfavorably impacted biopharmaceutical revenues by $857 million, or 2%.

Geographically,

- in the U.S., biopharmaceutical revenues decreased $1.4 billion, or 8%, in 2014, compared to 2013, reflecting, among other things:
  - lower Alliance revenues, primarily due to Enbrel, reflecting the expiration of the co-promotion term of the collaboration agreement in October 2013 (approximately $1.3 billion in 2014), and Spiriva, reflecting the final-year terms, and termination on April 29, 2014, of the co-promotion collaboration, which, per the terms of the collaboration agreement, resulted in a decline of our share of Spiriva revenue (approximately $395 million in 2014); and
  - lower revenues from Detrol LA due to loss of exclusivity (approximately $321 million in 2014), Celebrex due to loss of exclusivity in December 2014 (approximately $198 million), and lower revenues from Lipitor (approximately $191 million in 2014),

partially offset by:

- the strong performance of Lyrica (approximately $352 million in 2014) as well as the growth of Prevnar, Xeljanz, Eliquis, Xalkori and Inlyta (collectively, approximately $760 million in 2014).

- in our international markets, biopharmaceutical revenues decreased $764 million, or 3%, in 2014, compared to 2013, primarily due to the unfavorable impact of foreign exchange of approximately $857 million in 2014, or 3%. Operationally, revenues increased slightly by $93 million, in 2014 compared to 2013 reflecting, among other things:
  - higher revenues for Lipitor in China, Lyrica in developed markets, Enbrel outside Canada, and the performance of recently launched products Eliquis, Xalkori, and Inlyta (collectively, up approximately $941 million in 2014); and
  - the operational growth of Prevenar and Xeljanz (approximately $228 million in 2014),

  partially offset by:
  - the operational decline of certain products, including Norvasc, Zithromax, Xalabrands, Detrol, Effexor and Chantix/Champix, in developed international markets, and Sutent in China (collectively, approximately $320 million in 2014);
  - lower revenues as a result of the loss of exclusivity and subsequent multi-source generic competition for Viagra in most major European markets and Lyrica in Canada (collectively, approximately $248 million in 2014);
  - lower Alliance revenues (approximately $218 million in 2014, excluding Eliquis), primarily due to the expiration of the co-promotion term of the collaboration agreement for Enbrel in Canada, the ongoing termination of the Spiriva collaboration agreement in certain countries, the loss of exclusivity for Aricept in Canada and the termination of the co-promotion agreement for Aricept in Japan in December 2012; and
  - the continued erosion of branded Lipitor in most international developed markets (approximately $197 million in 2014).

During 2014, international biopharmaceutical revenues represented 62% of total biopharmaceutical revenues, compared to 61% in 2013.

2013 v. 2012

Worldwide revenues from biopharmaceutical products in 2013 were $47.9 billion, a decrease of 7% compared to 2012. In addition to the operational factors noted in the *Revenues—Overview* section of this *Analysis of the Consolidated Statements of Income,* foreign exchange unfavorably impacted biopharmaceutical revenues by $1.2 billion, or 3%.

Geographically,

- in the U.S., revenues from biopharmaceutical products decreased 6% in 2013, compared to 2012, reflecting, among other things:
  - lower revenues from Lipitor, Revatio and Geodon, all due to loss of exclusivity (down approximately $875 million in 2013);
  - lower Alliance revenues from Spiriva, reflecting the final-year terms of our Spiriva co-promotion agreement in the U.S. (down approximately $320 million in 2013), and Enbrel, reflecting the expiration of the co-promotion term of the collaboration agreement in the U.S. and Canada in October 2013 (down approximately $82 million);
  - lower revenues from generic atorvastatin (down approximately $145 million in 2013);
  - lower revenues from Prevnar, due to decreased government purchases (down approximately $84 million in 2013); and
  - lower revenues from Zosyn (down approximately $45 million in 2013),

  partially offset by:
  - the strong performance of certain other biopharmaceutical products, including Lyrica, Celebrex, Xeljanz, Inlyta and Xalkori (up approximately $715 million in 2013).

- in our international markets, revenues from biopharmaceutical products decreased 7% in 2013, compared to 2012. Operationally, revenues decreased 3% in 2013, compared to 2012, reflecting, among other things:
  - lower revenues for Lipitor and Xalatan/Xalacom (down approximately $1.4 billion in 2013) due to the loss of exclusivity of Lipitor in developed Europe, Japan and Australia, and Xalatan/Xalacom in the majority of European markets and in Australia; lower revenues for Viagra (down approximately $108 million in 2013) primarily due to loss of exclusivity in most major markets in Europe; and lower revenues for Aricept (direct sales) (down approximately $88 million in 2013) due to the loss of exclusivity in certain markets; and
  - lower Alliance revenues (down approximately $493 million in 2013), primarily due to the loss of exclusivity of Aricept in many major European markets, the return of our rights to Aricept in Japan to Eisai Co., Ltd., and lower revenues for Spiriva in certain European countries, Canada and Australia (where the Spiriva collaboration has terminated),

  partially offset by:
  - higher revenues for Lyrica, and new product growth from Inlyta and Xalkori (collectively, approximately $506 million in 2013).

The unfavorable impact of foreign exchange on international biopharmaceutical revenues of 4% in 2013 also contributed to the decrease in revenues from biopharmaceutical products in our international markets.

During 2013, international revenues from biopharmaceutical products represented 61% of total revenues from biopharmaceutical products, compared to 62% in 2012.

For additional information about operating segment revenues, see the “Analysis of Operating Segment Information” section of this Financial Review.

Revenues—Major Biopharmaceutical Products

The following table provides revenue information for several of our major biopharmaceutical products:

(MILLIONS OF DOLLARS)			Year Ended December 31,			% Change	
PRODUCT	PRIMARY INDICATIONS	Business[a]	**2014**	2013	2012	**14/13**	13/12
Lyrica[b]	Epilepsy, post-herpetic neuralgia and diabetic peripheral neuropathy, fibromyalgia, neuropathic pain due to spinal cord injury	GEP/GIP	**$ 5,168**	$ 4,595	$ 4,158	**12**	11
Prevnar family	Vaccines for prevention of pneumococcal disease	V	**4,464**	3,974	4,117	**12**	(3)
Enbrel (Outside the U.S. and Canada)	Rheumatoid, juvenile rheumatoid and psoriatic arthritis, plaque psoriasis and ankylosing spondylitis	GIP	**3,850**	3,774	3,737	**2**	1
Celebrex	Arthritis pain and inflammation, acute pain	GEP	**2,699**	2,918	2,719	**(8)**	7
Lipitor	Reduction of LDL cholesterol	GEP	**2,061**	2,315	3,948	**(11)**	(41)
Viagra[c]	Erectile dysfunction	GEP/GIP	**1,685**	1,881	2,051	**(10)**	(8)
Zyvox	Bacterial infections	GEP	**1,352**	1,353	1,345	**—**	1
Sutent	Advanced and/or metastatic renal cell carcinoma (mRCC), refractory gastrointestinal stromal tumors (GIST) and advanced pancreatic neuroendocrine tumor	O	**1,174**	1,204	1,236	**(2)**	(3)
Norvasc	Hypertension	GEP	**1,112**	1,229	1,349	**(10)**	(9)
Premarin family	Symptoms of menopause	GEP	**1,076**	1,092	1,073	**(1)**	2
BeneFIX	Hemophilia	GIP	**856**	832	775	**3**	7
Vfend	Fungal infections	GEP	**756**	775	754	**(2)**	3
Pristiq	Depression	GEP	**737**	698	630	**6**	11
Genotropin	Replacement of human growth hormone	GIP	**723**	772	832	**(6)**	(7)
Chantix/Champix	An aid to smoking cessation treatment	GIP	**647**	648	670	**—**	(3)
Refacto AF/Xyntha	Hemophilia	GIP	**631**	602	584	**5**	3
Xalatan/Xalacom	Glaucoma and ocular hypertension	GEP	**495**	589	806	**(16)**	(27)
Medrol	Inflammation	GEP	**443**	464	523	**(5)**	(11)
Xalkori	Anaplastic lymphoma kinase positive non-small cell lung cancer	O	**438**	282	123	**55**	129
Zoloft	Depression and certain anxiety disorders	GEP	**423**	469	541	**(10)**	(13)
Inlyta	Advanced renal cell carcinoma (RCC)	O	**410**	319	100	**28**	*
Relpax	Treats the symptoms of migraine headache	GEP	**382**	359	368	**6**	(2)
Fragmin	Anticoagulant	GEP	**364**	359	381	**2**	(6)
Sulperazon	Antibiotic	GEP	**354**	309	262	**15**	18
Effexor	Depression and certain anxiety disorders	GEP	**344**	440	425	**(22)**	4
Rapamune	Prevention of organ rejection in kidney transplantation	GIP	**339**	350	346	**(3)**	1
Tygacil	Antibiotic	GEP	**323**	358	335	**(10)**	7
Zithromax/Zmax	Bacterial infections	GEP	**314**	387	435	**(19)**	(11)
Xeljanz	Rheumatoid arthritis	GIP	**308**	114	6	**170**	*
Zosyn/Tazocin	Antibiotic	GEP	**303**	395	484	**(23)**	(18)
EpiPen	Epinephrine injection used in treatment of life-threatening allergic reactions	GEP	**294**	273	263	**8**	4
Toviaz	Overactive bladder	GIP	**288**	236	207	**22**	14
Revatio	Pulmonary arterial hypertension (PAH)	GEP	**276**	307	534	**(10)**	(43)
Cardura	Hypertension/Benign prostatic hyperplasia	GEP	**263**	296	338	**(11)**	(12)
Xanax/Xanax XR	Anxiety disorders	GEP	**253**	276	274	**(8)**	1
Inspra	High blood pressure	GEP	**233**	233	214	**—**	9
Somavert	Acromegaly	GIP	**229**	217	197	**6**	10
BMP2	Development of bone and cartilage	GIP	**228**	209	263	**9**	(21)
Diflucan	Fungal infections	GEP	**220**	242	259	**(9)**	(7)
Neurontin	Seizures	GEP	**210**	216	235	**(3)**	(8)
Unasyn	Injectable antibacterial	GEP	**207**	212	228	**(3)**	(7)
Detrol/Detrol LA	Overactive bladder	GEP	**201**	562	761	**(64)**	(26)
Depo-Provera	Contraceptive	GEP	**201**	191	148	**2**	29
Protonix/Pantoprazole	Short-term treatment of erosive esophagitis associated with gastroesophageal reflux disease (GERD)	GEP	**198**	185	188	**7**	(2)
Dalacin/Cleocin	Respiratory tract infections	GEP	**184**	199	232	**(8)**	(14)
Caduet	Reduction of LDL cholesterol and hypertension	GEP	**180**	223	258	**(19)**	(14)
Alliance revenues[d]	Various	GEP/GIP	**957**	2,628	3,492	**(64)**	(25)

All other biopharmaceutical[e]	Various	GIP/GEP/V/O	**6,854**	7,317	8,010	**(6)**	(9)
All other GIP[e]		GIP	**469**	540	332	**(13)**	63

All other GEP[e]	GEP	**6,175**	6,614	7,442	**(7)**	(11)
All other V/O[e]	V/O	**211**	164	236	**29**	(31)

[a] Indicates the business to which the revenues relate. GIP = the Global Innovative Pharmaceutical segment; V = the Global Vaccines business; O = the Global Oncology business; and GEP = the Global Established Pharmaceutical segment.

[b] Lyrica revenues from all of Europe are included in GEP. All other Lyrica revenues are included in GIP.

[c] Viagra revenues from the U.S. and Canada are included in GIP. All other Viagra revenues are included in GEP.

[d] Includes Enbrel (GIP, in the U.S. and Canada through October 31, 2013), Spiriva (GEP), Rebif (GIP), Aricept (GEP) and Eliquis (GIP).

[e] All other GIP, All other GEP and All other V/O are subsets of All other biopharmaceutical revenues.

* Calculation not meaningful.

Biopharmaceutical—Selected Product Descriptions

- **Lyrica** (GIP/GEP) is indicated in the U.S. for three neuropathic pain conditions, fibromyalgia and adjunctive therapy for adult patients with partial onset seizures. In certain countries outside the U.S., indications include neuropathic pain (peripheral and central), fibromyalgia, adjunctive treatment of epilepsy and generalized anxiety disorder. Worldwide operational revenues for Lyrica increased 14% in 2014 compared to 2013. Foreign exchange had a unfavorable impact on worldwide revenues of 2% in 2014, compared to 2013.

  In the U.S., revenues increased 18% in 2014 compared to 2013, driven by price increases as well as increased investment in effective direct-to-consumer advertising combined with strong field force performance and the recent promotional launch of new data demonstrating efficacy in treating fibromyalgia patients receiving antidepressants for their co-morbid depression, despite continued competition from generic versions of competitive medicines.

  Internationally, Lyrica operational revenues increased 11% in 2014, compared to 2013, with the growth due to a focus on enhancing diagnosis and treatment rates of neuropathic back pain, and expediting the identification and appropriate treatment of generalized anxiety disorder in the EU, physician education regarding neuropathic pain and fibromyalgia in Japan and an effective direct-to-consumer campaign to increase awareness in Japan. In addition, growth was driven by gaining reimbursement in Australia and an effective multi-channel direct-to-consumer campaign driving an increase in visits to physicians. Foreign exchange had a unfavorable impact on international revenues of 3% in 2014, compared to 2013.

  Worldwide revenues from Lyrica in our GIP segment increased 15% operationally in 2014, and in our GEP segment, revenues from Lyrica increased 11% operationally in 2014, compared to 2013.

- **Prevnar** family of products (V) consists of Prevnar 13/Prevenar 13 and Prevenar (7-valent), our pneumococcal conjugate vaccines for the prevention of various syndromes of pneumococcal disease. Overall, worldwide operational revenues for the Prevnar family of products increased 14% in 2014 compared to 2013. Foreign exchange had a unfavorable impact on worldwide revenues of 2% in 2014, compared to 2013.

  In the U.S., revenues for Prevnar 13 increased 19% in 2014, compared to 2013, mainly due to government purchasing patterns and price increases, and increased demand, primarily driven by additional market penetration for Prevnar 13 in adults.

  Internationally, operational revenues for the Prevenar family of products increased 10% in 2014, compared to 2013, primarily reflecting increased shipments associated with the Global Alliance for Vaccines and Immunization as well as the timing of government purchases and the favorable impact of Pfizer's inclusion in additional national immunization programs, both in various emerging markets. Foreign exchange had an unfavorable impact on international revenues of 4% in 2014, compared to 2013.

  In August 2014, the U.S. Centers for Disease Control and Prevention's (CDC) Advisory Committee on Immunization Practices (ACIP) held an ad-hoc meeting to vote on the expanded use of Prevnar 13 in older adults. The ACIP voted to recommend Prevnar 13 for routine use to help protect adults aged 65 years and older against pneumococcal disease, which includes pneumonia caused by the 13 pneumococcal serotypes included in the vaccine.

  These ACIP recommendations were subsequently approved by the directors at the CDC and U.S. Department of Health and Human Services, and were published in the Morbidity and Mortality Weekly Report (MMWR) in September 2014 by the CDC. As with other vaccines, the CDC regularly monitors the impact of vaccination and reviews the recommendations; in this case, however, the CDC announced formally that it will conduct this review in 2018. Currently, we are working with a number of U.S. investigators to monitor the proportion of community-acquired pneumonia caused by the serotypes included in Prevnar 13 and continue to observe trends.

  On June 20, 2014, Prevenar 13 was approved in Japan for adults 65 years of age and older for the prevention of pneumococcal disease caused by 13 *S. pneumoniae* serotypes covered by the vaccine.

- **Enbrel** (GIP, outside the U.S. and Canada), for the treatment of moderate-to-severe rheumatoid arthritis, polyarticular juvenile rheumatoid arthritis, psoriatic arthritis, plaque psoriasis, ankylosing spondylitis, a type of arthritis affecting the spine, and nonradiographic axial spondyloarthritis, recorded an increase in worldwide operational revenues, excluding the U.S. and Canada, of 4% in 2014, compared to 2013. Results were favorably impacted by continued market leadership in rheumatoid arthritis. Foreign exchange had a unfavorable impact of 2% in 2014, compared to 2013.

  The co-promotion term of the collaboration agreement with Amgen Inc. (Amgen), under which we co-promoted Enbrel in the U.S. and Canada and shared in the profits from Enbrel sales in those countries, and which we included in Alliance revenues through October 31, 2013, expired on that date and, subject to the terms of the agreement, we are entitled to a royalty stream for 36 months thereafter, which has been and is expected to continue to be significantly less than our share of Enbrel profits from U.S. and Canadian sales prior to the expiration. Following the end of the royalty period, we are not entitled to any further revenues from Enbrel sales in the U.S. and Canada. Our exclusive rights to Enbrel outside the U.S. and Canada will not be affected by the expiration of the co-promotion term.

- **Celebrex** (GEP), indicated for the treatment of the signs and symptoms of osteoarthritis and rheumatoid arthritis worldwide and for the management of acute pain in adults in the U.S., Japan and certain other markets, recorded a decrease in worldwide operational revenues

of 6% in 2014, compared to 2013, primarily driven by share erosion due to generic competition and loss of exclusivity in the U.S. (December 2014) and in Developed Europe (November 2014), partially offset by strong demand from the lower back pain indication in Japan. Foreign exchange had a unfavorable impact of 2% in 2014, compared to 2013.

In the U.S., revenues decreased 10% in 2014 compared to 2013, primarily driven by share erosion due to generic competition, loss of exclusivity and reductions of inventory in the channel, partially offset by price increases.

Internationally, Celebrex operational revenues increased 2% in 2014 compared to 2013. Operational performance in international markets in 2014, compared to 2013, was driven by growth in Japan (strong performance in the low back pain and osteoarthritis indications), South Korea (maintaining share despite competition), and in emerging markets, partially offset by lower revenues in the developed markets in Europe due to loss of exclusivity and price reductions as governments continue to address their budget deficits. Foreign exchange had an unfavorable impact on international revenues of 4% in 2014, compared to 2013.

- **Lipitor** (GEP) is for the treatment of elevated LDL-cholesterol levels in the blood. Lipitor has lost exclusivity and faces generic competition in all major developed markets. Branded Lipitor recorded worldwide revenues of $2.1 billion, or an operational decrease of 9% in 2014, compared to 2013, primarily due to the impact of loss of exclusivity in developed markets and brand erosion due to generic and branded products competition and increased payer pressure worldwide, partially offset by strong volume growth in China resulting from reallocation of field force and promotional efforts.

  In the U.S., revenues decreased 44% in 2014 compared to 2013.

  In our international markets, operational revenues decreased 1% in 2014, compared to 2013, primarily due to loss of exclusivity in developed markets and brand erosion due to generic and branded product competition and increased payer pressure worldwide, partially offset by strong volume growth in China. Foreign exchange had an unfavorable impact on international revenues of 2% in 2014, compared to 2013.
- **Viagra** (GEP/GIP) is indicated for the treatment for erectile dysfunction. Viagra worldwide operational revenues decreased 9% in 2014, compared to 2013, primarily due to a decrease in international revenues. International (GEP) operational revenues decreased 24% in 2014, compared to 2013, primarily due to the entry of generics in developed Europe. Loss of exclusivity for Viagra in major European markets occurred in late-June 2013. Foreign exchange had an unfavorable impact on international revenues of 3% in 2014, compared to 2013. Revenues in the U.S. (GIP) increased 1% in 2014 compared to 2013.
- **Zyvox** (GEP) is among the world's best-selling branded agents used to treat serious Gram-positive pathogens, including methicillin-resistant staphylococcus-aureus. Zyvox worldwide operational revenues increased 1% in 2014, compared to 2013, due to favorable U.S. pricing and solid growth in Latin America and Africa/Middle East. Foreign exchange had an unfavorable impact of 1% in 2014, compared to 2013.
- **Sutent** (O) is indicated for the treatment of advanced renal cell carcinoma, including metastatic renal cell carcinoma (mRCC); gastrointestinal stromal tumors after disease progression on, or intolerance to, imatinib mesylate; and advanced pancreatic neuroendocrine tumor. Sutent worldwide operational revenues decreased 1% in 2014, compared to 2013, primarily due to competitive pressure in developed markets, market challenges in China as well as timing of purchases in emerging markets, partially offset by price increases in the U.S. and increased market share in Japan and Latin America. Foreign exchange had an unfavorable impact of 1% in 2014, compared to 2013.
- **Norvasc** (GEP) is indicated for the treatment of hypertension. Norvasc worldwide operational revenues decreased 6% in 2014 compared to 2013, and reflects, among other factors, generic erosion in Japan, partially offset by strong volume growth in China. Foreign exchange had an unfavorable impact of 4% in 2014, compared to 2013.
- Our **Premarin** family of products (GEP) helps women address moderate-to-severe menopausal symptoms. Premarin worldwide operational revenues decreased 1% in 2014 compared to 2013. Revenues in the U.S. were unfavorably impacted by prescription volume declines for Premarin Family Oral brands, partially offset by increased marketing support, directing sales force efforts to select physicians and price increases.
- **BeneFIX and ReFacto AF/Xyntha** (GIP) are hemophilia products using state-of-the-art manufacturing that assist patients with their lifelong bleeding disorders. BeneFIX worldwide operational revenues increased 3% in 2014, compared to 2013, primarily due to increased consumption and patient demand in several EU countries.

  ReFacto AF/Xyntha recorded a 5% increase in worldwide operational revenues in 2014, compared to 2013, as a result of continued competitive patient conversions and hospital utilization in the U.S. and government purchases in Middle Eastern countries.
- **Pristiq** (GEP) is approved for the treatment of major depressive disorder in the U.S. and in various other countries. Pristiq has also been approved for treatment of moderate-to-severe vasomotor symptoms (VMS) associated with menopause in Thailand, Mexico, the Philippines and Ecuador. Pristiq recorded an increase in worldwide operational revenues of 7% in 2014, compared to 2013, primarily due to prescription growth in the emerging markets, Spain, Canada and Australia, as well as favorable pricing in the U.S. Foreign exchange had an unfavorable impact on international revenues of 8% in 2014, compared to 2013.
- **Chantix/Champix** (GIP) is an aid to smoking-cessation treatment in adults 18 years of age and older. Worldwide operational revenues increased 1% in 2014 compared to 2013. Revenues in the U.S. increased 10% in 2014, compared to 2013, primarily due to price increases, partially offset by competition from OTC competitors, and a movement by smokers to e-cigarettes. International operational revenues decreased 8% in 2014, compared to 2013, primarily due to overall market decline across several key markets as a result of a challenging macro-economic environment, strong competitive pressure from aggressive Nicotine Replacement Therapy (NRT) consumer promotion and the widespread availability of e-cigarettes and use of prescription medication, as well as the lingering impact from previous negative media exposure. Foreign exchange had an unfavorable impact on international revenues of 4% in 2014, compared to 2013.
- **Xalkori** (O), for the treatment of patients with locally advanced or metastatic non-small cell lung cancer (NSCLC) that is anaplastic lymphoma kinase (ALK)-positive, is now approved in 82 countries, including the U.S., EU (conditional), Japan, South Korea, Canada,

Australia and Switzerland, as well as in many emerging markets, including China, Russia, Mexico, India and Turkey. Xalkori recorded worldwide revenues of $438 million in 2014, an operational increase of 56%, compared to 2013 as a result of (i) an increase in diagnostic rates for the ALK gene abnormality, which has led to more patients being treated, extending duration of therapy, increasing market share, and increasing the number of prescriptions and (ii) price increases in the U.S. Foreign exchange had a 1% unfavorable impact in 2014, compared to 2013.

- **Inlyta** (O), for the treatment of patients with advanced renal cell carcinoma (RCC) after failure of a prior systemic treatment, is now approved in 77 countries, including the U.S., EU, Switzerland, Japan, Canada, Australia and South Korea (exact indications vary by region). Inlyta recorded worldwide revenues of $410 million in 2014, an operational increase of 32%, compared to 2013, due to recent launches and share uptake. International operational revenues increased 41% in 2014, compared to 2013, primarily due to strong growth in developed markets in Europe, where a large proportion of oncologists are prescribing Inlyta. Foreign exchange had an unfavorable impact on international revenues of 6% in 2014, compared to 2013.
- **Xeljanz** (GIP) was first approved in the U.S. in November 2012 for the treatment of adult patients with moderate to severe active rheumatoid arthritis and is now approved for use as a second-line therapy (after traditional disease-modifying antirheumatic drugs) in more than 35 markets including the U.S., Japan, Australia, Canada, Switzerland and Brazil. In 2014, Xeljanz experienced significant growth with tripling approvals and the number of market introductions compared to 2013. Xeljanz recorded worldwide revenues of $308 million in 2014, virtually all in the U.S., primarily driven by the FDA approval for a label update in February 2014 to include data on radiographic progression, which strengthens the clinical profile of Xeljanz as well as positive consumer awareness. Foreign exchange had a 2% unfavorable impact in 2014, compared to 2013.

  Alliance revenues (GEP/GIP) worldwide operational revenues decreased 63% in 2014, compared to 2013, mainly due to:

  - the expiration of the co-promotion term of the collaboration agreement for Enbrel in the U.S. and Canada in October 2013, which resulted in a decrease in operational revenues of $1.4 billion in 2014, compared to 2013. (While Enbrel alliance revenues declined $1.4 billion in 2014, we received royalty income from Enbrel in the U.S. and Canada of $531 million in 2014, an operational increase of approximately $440 million, which is recorded in *Other (income)/deductions—net* in the consolidated statements on income. See Notes to Consolidated Financial Statements—*Note 4. Other (Income)/Deductions—Net.*);
  - the expiration or near-term expiration of the co-promotion collaboration for Spiriva (GEP) in Japan, the U.S. (where the collaboration expired in April 2014), certain European countries, Australia, Canada and South Korea, which resulted in an operational decrease in Pfizer's share of Spiriva revenues of $490 million in 2014, compared to 2013; and
  - the loss of exclusivity for Aricept in Canada in December 2013 and the termination of the co-promotion agreement in Japan in December 2012, which resulted in an operational decrease in Pfizer's share of Aricept revenues of approximately $137 million in 2014, compared to 2013,

  partially offset by

  - an increase of $266 million for Eliquis worldwide revenues.

  - **Eliquis** (apixaban) (GIP) is being jointly developed and commercialized by Pfizer and Bristol-Myers Squibb (BMS). Eliquis is part of the Novel Oral Anticoagulant (NOAC) market; the agents in this class were developed as alternatives to warfarin in appropriate patients with certain conditions. In 2012, Eliquis (apixaban) was approved to reduce the risk of stroke and systemic embolism in patients with nonvalvular atrial fibrillation (NVAF) in the U.S., Europe and Japan. Since then, the NVAF indication has been launched in the majority of markets around the world. In addition, Eliquis is approved in the U.S. and Europe for the treatment of deep vein thrombosis (DVT) and pulmonary embolism (PE), and for the reduction in the risk of recurrent DVT and PE following initial therapy as well as for the prophylaxis of DVT, which may lead to PE, in patients who have undergone hip or knee replacement surgery. The two companies share commercialization expenses and profit/losses equally on a global basis. While Eliquis was the third entrant in this market, we believe it has a differentiated product profile and continue to invest in medical education and peer-to-peer programs to assist physicians in understanding the data, and in direct-to-consumer advertising in the U.S.
- **Embeda** (GIP)—In November 2013, we announced that the FDA had approved a prior approval supplement for an update to the Embeda manufacturing process. This update addressed the pre-specified stability requirement that led to the voluntary recall of Embeda from the market in March 2011. In October 2014, the FDA approved an updated label for Embeda extended release capsules, for oral use, to include abuse-deterrence study data. Embeda is indicated for the management of pain severe enough to require daily, around-the-clock, long-term opioid treatment and for which alternative treatment options are inadequate. Embeda became available in the U.S. in February 2015.

See Notes to Consolidated Financial Statements—*Note 17. Commitments and Contingencies* for a discussion of recent developments concerning patent and product litigation relating to certain of the products discussed above.

Product Developments—Biopharmaceutical

We continue to invest in R&D to provide potential future sources of revenues through the development of new products, as well as through additional uses for in-line and alliance products. Notwithstanding our efforts, there are no assurances as to when, or if, we will receive regulatory approval for additional indications for existing products or any of our other products in development.

We continue to strengthen our global R&D organization and pursue strategies intended to improve innovation and overall productivity in R&D to achieve a sustainable pipeline that will deliver value in the near term and over time. Our R&D priorities include delivering a pipeline of differentiated therapies with the greatest scientific and commercial promise, innovating new capabilities that can position Pfizer for long-term leadership and creating new models for biomedical collaboration that will expedite the pace of innovation and productivity. To that end, our research primarily focuses on six high-priority areas that have a mix of small molecules and large molecules—immunology and inflammation; cardiovascular and metabolic diseases; oncology; vaccines; neuroscience and pain; and rare diseases. Another area of focus is biosimilars.

Our development pipeline, which is updated quarterly, can be found at www.pfizer.com/pipeline. It includes an overview of our research and a list of compounds in development with targeted indication, phase of development and, for late-stage programs, mechanism of action. The information currently in our development pipeline is as of February 27, 2015.

The following series of tables provides information about significant regulatory actions by, and filings pending with, the FDA and regulatory authorities in the EU and Japan, as well as additional indications and new drug candidates in late-stage development.

RECENT FDA APPROVALS		
PRODUCT	**INDICATION**	**DATE APPROVED**
Ibrance (Palbociclib)	An oral and selective reversible inhibitor of the CDK 4 and 6 kinases for the first-line treatment of patients with estrogen receptor-positive (ER+), human epidermal growth factor receptor 2-negative (HER2-) advanced breast cancer	February 2015
Trumenba (MnB rLP2086) (PF-05212366)	A prophylactic vaccine for active immunization to prevent invasive disease caused by *Neisseria meningitidis* serogroup B in individuals 10 through 25 years of age	October 2014
Eliquis (Apixaban)[(a)]	Treatment of deep vein thrombosis (DVT) and pulmonary embolism (PE), and for the reduction in the risk of recurrent DVT and PE	August 2014
Eliquis (Apixaban)[(a)]	Prevention of DVT, which may lead to PE, in adult patients who have undergone hip or knee replacement surgery	March 2014

[(a)] This indication for Eliquis (apixaban) was developed and is being commercialized in collaboration with Bristol-Myers Squibb (BMS).

PENDING U.S. NEW DRUG APPLICATIONS (NDA) AND SUPPLEMENTAL FILINGS		
PRODUCT	**INDICATION**	**DATE FILED***
ALO-02	A Mu-type opioid receptor agonist for the management of pain severe enough to require daily, around-the-clock, long-term opioid treatment and for which alternative treatment options are inadequate	February 2015
Xeljanz (Tofacitinib)	Treatment of adult patients with moderate to severe chronic plaque psoriasis	February 2015
Tafamidis meglumine[(a)]	Treatment of transthyretin familial amyloid polyneuropathy (TTR-FAP)	February 2012
Celebrex (Celecoxib)[(b)]	Chronic pain	October 2009
Remoxy (Oxycodone Hydrochloride)[(c)]	Management of pain severe enough to require daily, around-the-clock, long-term opioid treatment and for which alternative treatment options are inadequate	August 2008
Viviant (Bazedoxifene)[(d)]	Osteoporosis treatment and prevention	August 2006

* The dates set forth in this column are the dates on which the FDA accepted our submissions.

[(a)] In May 2012, the FDA's Peripheral and Central Nervous System Drugs Advisory Committee voted that the tafamidis meglumine data provide substantial evidence of efficacy for a surrogate endpoint that is reasonably likely to predict a clinical benefit. In June 2012, the FDA issued a "complete response" letter with respect to the tafamidis NDA. The FDA has requested the completion of a second efficacy study, and also has asked for additional information on the data within the current tafamidis NDA. We continue to work with the FDA to define a path forward.

[(b)] In June 2010, we received a "complete response" letter from the FDA for the Celebrex chronic pain supplemental NDA. The supplemental NDA remains pending while we await the completion of the PRECISION trial, anticipated in 2016, which will inform our next steps. There are no additional granted patents related to this potential approval. The PRECISION trial is designed to assess the relative long-term cardiovascular safety of Celebrex compared to prescription doses of ibuprofen and naproxen in the treatment of arthritis pain.

[(c)] In October 2014, we concluded an internal review of the top-line results of five recently completed clinical studies required to address the "complete response" letter received in June 2011 from the FDA with respect to Remoxy, and we notified Pain Therapeutics (PT) that we have decided to discontinue our agreement to develop and commercialize Remoxy. We will work together for an orderly transition of Remoxy to PT until the scheduled termination date in April 2015.

[(d)] NDAs for Viviant (bazedoxifene) for treatment and prevention of post-menopausal osteoporosis remain pending before the FDA. In February 2008, the FDA advised it expected to convene an advisory committee pending responses to the "approvable letters" received in December 2007 and May 2008 with respect to the NDAs. In view of the approval of Duavee (conjugated estrogens/bazedoxifene), we continue to assess next steps for Viviant.

REGULATORY APPROVALS AND FILINGS IN THE EU AND JAPAN			
PRODUCT	**DESCRIPTION OF EVENT**	**DATE APPROVED**	**DATE FILED***
Xalkori (Crizotinib)	Application filed in the EU for first line treatment of ALK-positive non-small cell lung cancer	—	January 2015
Duavive (Conjugated Estrogens/Bazedoxifene)	Approval in the EU for treatment of estrogen deficiency symptoms in postmenopausal women with a uterus (with at least 12 months since the last menses) for whom treatment with progestin-containing therapy is not appropriate	December 2014	—
Effexor SR (Venlafaxine HCl)	Application filed in Japan for treatment of depression/depressed state	—	December 2014
Bosulif (Bosutinib)	Approval in Japan for treatment of previously treated chronic myelogenous leukemia	September 2014	—
Eliquis (Apixaban)[a]	Approval in the EU for treatment of DVT and PE, and prevention of recurrent DVT and PE in adults	July 2014	—
Prevenar 13 Adult	Approval in Japan for prevention of pneumococcal disease caused by Streptococcus pneumoniae serotypes (1, 3, 4, 5, 6A, 6B, 7F, 9V, 14, 18C, 19A, 19F and 23F) in adults 65 years of age and older	June 2014	—

* For applications in the EU, the dates set forth in this column are the dates on which the European Medicines Agency (EMA) validated our submissions.
[a] This indication for Eliquis (apixaban) was developed and is being commercialized in collaboration with BMS.

LATE-STAGE CLINICAL PROGRAMS FOR ADDITIONAL USES AND DOSAGE FORMS FOR IN-LINE AND IN-REGISTRATION PRODUCTS	
PRODUCT	**INDICATION**
Bosulif (Bosutinib)	First-line treatment for patients with chronic phase Philadelphia chromosome positive chronic myelogenous leukemia, which is being developed in collaboration with Avillion Group
Inlyta (Axitinib)	Adjuvant treatment of renal cell carcinoma, which is being developed in collaboration with SFJ Pharmaceuticals Group
Ibrance (Palbociclib)	An oral and selective reversible inhibitor of the CDK 4 and 6 kinases for the first-line treatment of patients with estrogen receptor-positive (ER+), human epidermal growth factor receptor 2-negative (HER2-) advanced breast cancer (ex-U.S.), as well as for the treatment of recurrent advanced breast cancer and, in collaboration with the German Breast Group, high-risk early breast cancer
Lyrica (Pregabalin)	Peripheral neuropathic pain; CR (once-a-day) dosing
Sutent (Sunitinib)	Adjuvant treatment of renal cell carcinoma
Tofacitinib[a]	Treatment of psoriasis (ex-US), ulcerative colitis, psoriatic arthritis, and QD MR (once-a-day) dosing
Vyndaqel (Tafamidis meglumine)	Adult symptomatic transthyretin cardiomyopathy

[a] Tofacitinib QD is currently conducting pivotal Phase 1 studies with registrational intent.

NEW DRUG CANDIDATES IN LATE-STAGE DEVELOPMENT	
CANDIDATE	**INDICATION**
Bococizumab (RN316) (PF-04950615)	A monoclonal antibody that inhibits PCSK9 for the treatment of hyperlipidemia and prevention of cardiovascular events
Dacomitinib	A pan-HER tyrosine kinase inhibitor for the first-line treatment of patients with advanced non-small cell lung cancer with EGFR activating mutations, which is being developed in collaboration with SFJ Pharmaceuticals Group
Ertugliflozin (PF-04971729)	An oral SGLT2 inhibitor for the treatment of type 2 diabetes, which is being developed in collaboration with Merck & Co., Inc.
Inotuzumab ozogamicin	An antibody drug conjugate, consisting of an anti-CD22 monotherapy antibody linked to a cytotoxic agent, calicheamycin, for the treatment of acute lymphoblastic leukemia
Trumenba (MnB rLP2086) (PF-05212366)	A prophylactic vaccine for active immunization to prevent invasive disease caused by *Neisseria meningitidis* serogroup B in individuals 10 through 25 years of age (ex-U.S.)
PF-06836922	A long-acting hGH-CTP for the treatment of growth hormone deficiency (GHD) in adults, which is being developed in collaboration with OPKO Health, Inc.
PF-06438179[a]	A potential biosimilar to Remicade® (infliximab)
PF-05280014[b]	A potential biosimilar to Herceptin® (trastuzumab)
PF-05280586[c]	A potential biosimilar to Rituxan® (rituximab)
Tanezumab[d]	An anti-nerve growth factor monoclonal antibody for the treatment of pain (on partial clinical hold)

[a] Remicade® is a registered trademark of Janssen Biotech, Inc.
[b] Herceptin® is a registered trademark of Genentech, Inc.
[c] Rituxan® is a registered trademark of Biogen Idec, Inc.

[d] The tanezumab program is under a partial clinical hold by the FDA pending review of additional nonclinical data. Subject to the removal of the partial clinical hold, we are planning to continue development of tanezumab in 2015 for the treatment of osteoarthritis, chronic low back pain and cancer pain. In October 2013, we entered into a collaboration agreement with Eli Lilly and Company to jointly develop and globally commercialize tanezumab for those indications.

Additional product-related programs are in various stages of discovery and development. Also, see the discussion in the "Our Business Development Initiatives" section of this Financial Review.

COSTS AND EXPENSES

Cost of Sales

	Year Ended December 31,			% Change	
(MILLIONS OF DOLLARS)	**2014**	2013	2012	**14/13**	13/12
Cost of sales	**$ 9,577**	$ 9,586	$ 9,821	**—**	(2)
As a percentage of *Revenues*	**19.3%**	18.6%	18.0%		

2014 v. 2013

Cost of sales increased as a percentage of revenues in 2014, compared to the same period in 2013. These increases are primarily due to the impact of losses of exclusivity and unfavorable changes in product mix, resulting from, among other things, the loss of Enbrel alliance revenue after October 31, 2013, when the co-promotion term of the collaboration agreement for Enbrel in the U.S. and Canada expired, and the loss of Spiriva alliance revenue in the U.S. as of April 29, 2014. Cost of sales in 2014 were relatively flat compared to 2013 as the unfavorable impact due to the changes in product mix discussed above was largely offset by favorable foreign exchange of 3%.

2013 v. 2012

Cost of sales decreased 2% in 2013, compared to 2012, primarily due to the favorable impact of foreign exchange of 4%, which more than offset the unfavorable impact of a shift in product mix due to the loss of exclusivity of certain products in various markets.

Selling, Informational and Administrative (SI&A) Expenses

	Year Ended December 31,			% Change	
(MILLIONS OF DOLLARS)	**2014**	2013	2012	**14/13**	13/12
Selling, informational and administrative expenses	**$ 14,097**	$ 14,355	$ 15,171	**(2)**	(5)
As a percentage of *Revenues*	**28.4%**	27.8%	27.8%		

2014 v. 2013

SI&A expenses decreased 2% in 2014, compared to 2013, primarily due to:

- lower expenses for field force and marketing expenses, reflecting the benefits of cost-reduction and productivity initiatives, partly in response to product losses of exclusivity;
- a reduction related to a true-up of the 2013 fee payable to the federal government under the U.S. Healthcare Legislation based on our prior-calendar-year share relative to other companies of branded prescription drug sales to specified government programs; and
- the favorable impact of foreign exchange of 1%,

partially offset by:

- increased investments in recently launched products and certain in-line products, as well as the launch and pre-launch marketing expenses for Trumenba (meningitis B vaccine) and Ibrance (palbociclib); and
- a $215 million charge to account for an additional year of the non-tax deductible Branded Prescription Drug Fee in accordance with final regulations issued in the third quarter of 2014 by the U.S. Internal Revenue Service (IRS).

2013 v. 2012

SI&A expenses decreased 5% in 2013, compared to 2012, primarily due to:

- savings generated from a reduction in marketing functions, partly in response to product losses of exclusivity and more streamlined corporate support functions; and
- the favorable impact of foreign exchange of 1%,

partially offset by:

- increased spending in support of several new product launches.

Research and Development (R&D) Expenses

(MILLIONS OF DOLLARS)	Year Ended December 31, 2014	2013	2012	% Change 14/13	13/12
Research and development expenses	**$ 8,393**	$ 6,678	$ 7,482	**26**	(11)
As a percentage of *Revenues*	**16.9%**	12.9%	13.7%		

2014 v. 2013

R&D expenses increased 26% in 2014, compared to 2013, primarily due to:

- a charge associated with a collaborative arrangement with Merck KGaA, announced in November 2014, to jointly develop and commercialize an investigational anti-PD-L1 antibody currently in development as a potential treatment for multiple types of cancer. The charge includes an $850 million upfront cash payment as well as an additional amount of $309 million, reflecting the estimated fair value of certain co-promotion rights for Xalkori given to Merck KGaA (for further discussion, see the "Our Business Development Initiatives" section of this Financial Review); and
- costs associated with ongoing Phase 3 programs for certain new drug candidates, including our PCSK9 inhibitor, and ertugliflozin (in collaboration with Merck), investments in Ibrance (palbociclib) and our vaccines portfolio, including Trumenba, as well as potential new indications for previously approved products, especially for Xeljanz.

2013 v. 2012

R&D expenses decreased 11% in 2013, compared to 2012, primarily due to:

- the non-recurrence of a $250 million payment to AstraZeneca in 2012 to obtain the exclusive, global, OTC rights to Nexium; and
- lower charges related to implementing our cost-reduction and productivity initiatives.

See also the “Analysis of Operating Segment Information” section of this Financial Review.

Description of Research and Development Operations

Innovation is critical to the success of our company and drug discovery and development is time-consuming, expensive and unpredictable.

Our R&D spending is conducted through a number of matrix organizations—Research Units, within our Worldwide Research and Development organization, are generally responsible for research assets (assets that have not yet achieved proof-of-concept); Business Units are generally responsible for development assets (assets that have achieved proof-of-concept); and science-based and other platform-services organizations (for technical support and other services). For additional information by operating segment, see the "Analysis of Operating Segment Information" section of this MD&A.

We take a holistic approach to our R&D operations and manage the operations on a total-company basis through our matrix organizations described above. Specifically, a single committee, co-chaired by members of our R&D and commercial organizations, is accountable for aligning resources among all of our R&D projects and for seeking to ensure that our company is focusing its R&D resources in the areas where we believe that we can be most successful and maximize our return on investment. We believe that this approach also serves to maximize accountability and flexibility.

Our Research Units are organized in a variety of ways (by therapeutic area or combinations of therapeutic areas, by discipline, by location, etc.) to enhance flexibility, cohesiveness and focus. Because of our structure, we can rapidly redeploy resources within a Research Unit between various projects as necessary because the workforce shares similar skills, expertise and/or focus.

Our science-based and other platform-services organizations, where a significant portion of our R&D spending occurs, provide technical expertise and other services to the various R&D projects, and are organized into science-based functions such as Pharmaceutical Sciences, Medicinal Chemistry, Drug Safety, and Development Operations, and non-science-based functions, such as Facilities, Business Technology and Finance. As a result, within each of these functions, we are able to migrate resources among projects, candidates and/or targets in any therapeutic area and in most phases of development, allowing us to react quickly in response to evolving needs.

Generally, we do not disaggregate total R&D expense by development phase or by therapeutic area since, as described above, we do not manage a significant portion of our R&D operations by development phase or by therapeutic area. Further, as we are able to adjust a significant portion of our spending quickly, as conditions change, we believe that any prior-period information about R&D expense by development phase or by therapeutic area would not necessarily be representative of future spending.

Amortization of Intangible Assets

(MILLIONS OF DOLLARS)	Year Ended December 31, 2014	2013	2012	% Change 14/13	13/12
Amortization of intangible assets	**$ 4,039**	$ 4,599	$ 5,109	**(12)**	(10)
As a percentage of *Revenues*	**8.1%**	8.9%	9.3%		

Amortization of intangible assets decreased 12% in 2014, compared to 2013, and 10% in 2013, compared to 2012, primarily due to assets that became fully amortized at the end of their estimated useful lives.

See also Notes to Consolidated Financial Statements—*Note10A. Identifiable Intangible Assets and Goodwill: Identifiable Intangible Assets.*

Restructuring Charges and Other Costs Associated with Acquisitions and Cost-Reduction/Productivity Initiatives

	Year Ended December 31,			% Change	
(MILLIONS OF DOLLARS)	**2014**	2013	2012	**14/13**	13/12
Restructuring charges and certain acquisition-related costs	**$ 250**	$ 1,182	$ 1,810	**(79)**	(35)
Total additional depreciation—asset restructuring	**261**	291	573	**(10)**	(49)
Total implementation costs	**270**	231	392	**17**	(41)
Costs associated with acquisitions and cost-reduction/productivity initiatives[a]	**$ 781**	$ 1,704	$ 2,775	**(54)**	(39)

[a] Comprises *Restructuring charges and certain acquisition-related costs* as well as costs associated with our cost-reduction/productivity initiatives included in *Cost of sales*, *Research and development expenses* and/or *Selling, informational and administrative expenses*, as appropriate.

Costs associated with acquisitions and cost-reduction/productivity initiatives decreased 54% in 2014, compared to 2013, due to lower costs incurred in most categories, primarily reflecting the fact that we had substantially completed many of the initiatives launched in prior periods.

In early 2014, we announced that we would be incurring costs in 2014-2016 related to new programs: our new global commercial structure reorganization and additional cost-reduction/productivity initiatives. For information about our current programs and expected total costs, see Notes to Consolidated Financial Statements—*Note 3. Restructuring Charges and Other Costs Associated with Acquisitions and Cost-Reduction/Productivity Initiatives*.

The expected ongoing annual cost savings associated with our current programs, in the aggregate, are estimated to be approximately $2.5 billion by the end of 2016. The expected costs and costs savings in 2015 associated with these activities are reflected in our financial guidance for 2015. See also the "Our Financial Guidance for 2015" section of this MD&A.

In addition to these major initiatives, we continuously monitor our operations for cost reduction and/or productivity opportunities, especially in light of the losses of exclusivity and the expiration of collaborative arrangements for various products.

Other (Income)/Deductions—Net

	Year Ended December 31,			% Change	
(MILLIONS OF DOLLARS)	**2014**	2013	2012	**14/13**	13/12
Other (income)/deductions—net	**$ 1,009**	$ (532)	$ 4,022	*	*

* Calculation not meaningful.

For information about the components of *Other (income)/deductions—net*, see Notes to Consolidated Financial Statements—*Note 4. Other (Income)/Deductions—Net.*

PROVISION FOR TAXES ON INCOME

	Year Ended December 31,			% Change	
(MILLIONS OF DOLLARS)	**2014**	2013	2012	**14/13**	13/12
Provision for taxes on income	**$ 3,120**	$ 4,306	$ 2,221	**(28)**	94
Effective tax rate on continuing operations	**25.5%**	27.4%	19.8%		

In all three years presented, our effective tax rate for continuing operations was impacted by favorable audit settlements and from the expiration of certain statutes of limitations in multiple jurisdictions covering various periods, among other factors. For details about these discrete elements that impacted our tax provisions, see Notes to Consolidated Financial Statements—*Note 5A. Tax Matters: Taxes on Income from Continuing Operations*.

2014 v. 2013

The lower effective tax rate in 2014 compared to 2013 is primarily the result of:

- the non-recurrence of the unfavorable tax rate associated with patent litigation settlement income of $1.3 billion recorded in 2013;
- the non-recurrence of the non-deductibility of the $292 million of goodwill derecognized and the jurisdictional mix of the other intangible assets divested as part of the transfer of certain product rights to Hisun Pfizer recorded in 2013;
- the change in the jurisdictional mix of earnings as a result of operating fluctuations in the normal course of business; and

- the non-recurrence of the non-deductibility of the $223 million loss on an option to acquire the remaining interest in Teuto in 2013, since we expect to retain the investment indefinitely and income in 2014 resulting from a decline in the non-tax deductible estimated loss, from the aforementioned option,

partially offset by:

- the non-deductibility of the $215 million charge to account for an additional year of the Branded Prescription Drug Fee in accordance with final regulations issued in the third quarter of 2014 by the IRS;
- a decrease in the favorable impact of the U.S. R&D tax credit as compared to 2013;
- the non-recurrence of the U.S. tax benefits of approximately $430 million, representing tax and interest, resulting from a settlement with the IRS with respect to audits of the Wyeth tax returns for the year 2006 through date of acquisition; and
- a decrease in 2014 of the favorable impact of the resolution of certain tax positions, pertaining to prior years with various foreign tax authorities, and from the expiration of certain statutes of limitations as compared to 2013.

2013 v. 2012

The higher effective tax rate in 2013 compared to 2012 primarily reflects a decrease, of approximately $500 million, in tax benefits related to certain audit settlements and the expiration of certain statutes of limitations in multiple jurisdictions covering various periods.

To a lesser extent, the unfavorable comparison of 2013 to 2012 also reflects:

- the unfavorable tax rate associated with patent litigation settlement income of $1.3 billion recorded in 2013;
- the non-deductibility of the $292 million of goodwill derecognized and the jurisdictional mix of the other intangible assets divested as part of the transfer of certain product rights to Hisun Pfizer; and
- the non-deductibility of the $223 million loss on an option to acquire the remaining interest in Teuto, since we expect to retain the investment indefinitely, and the non-deductibility of a $32 million impairment charge related to our equity-method investment in Teuto,

partially offset by:

- the change in the jurisdictional mix of earnings; and
- the extension of the U.S. R&D tax credit (resulting in the full-year benefit of the 2012 and 2013 U.S. R&D tax credit being recorded in 2013).

Changes in Tax Laws

On February 28, 2013, the Governor of Puerto Rico signed into law Act No. 2-2013, amending Sections 2101 and 2102 of the Puerto Rico Internal Revenue Code of 1994, which provided for an excise tax that was effective beginning in 2011 (Act 154). The excise tax is imposed on the purchase of products by multinational corporations and their affiliates from their Puerto Rico affiliates. As originally adopted, the excise tax was to be in effect from 2011 through 2016 and the tax rate was to decline over time from 4% in 2011 to 1% in 2016. Act No. 2-2013 extended the excise tax through 2017 and, effective July 1, 2013, increased the tax rate to 4% for all years through 2017. The impact of Act No. 2-2013 is being recorded in *Cost of sales* and *Provision for taxes on income,* as appropriate. All expected impacts in 2015 have been reflected in our financial guidance for 2015.

On December 19, 2014, the President of the United States signed into law the Tax Increase Prevention Act of 2014 (the 2014 Act), which generally provides one year of retroactive tax relief for businesses by reinstating retroactively to January 1, 2014 certain tax benefits and credits, including the U.S. R&D tax credit, that had expired. Given the enactment date of the 2014 Act, the benefit related to our 2014 R&D spending was recorded in 2014. On December 31, 2014, the U.S. R&D tax credit expired. Since the U.S. R&D tax credit was in effect for all of 2014, the expiration has no impact on our 2014 results. All expected impacts in 2015 have been reflected in our financial guidance for 2015.

DISCONTINUED OPERATIONS

For information about our discontinued operations, see Notes to Consolidated Financial Statements—*Note 2D. Acquisitions, Licensing Agreements, Collaborative Arrangements, Divestitures, and Equity-Method Investments: Divestitures*.

ADJUSTED INCOME

General Description of Adjusted Income Measure

Adjusted income is an alternative view of performance used by management, and we believe that investors' understanding of our performance is enhanced by disclosing this performance measure. We report Adjusted income, and certain components of Adjusted income, in order to portray the results of our major operations—the discovery, development, manufacture, marketing and sale of prescription medicines, consumer healthcare (OTC) products, and vaccines—prior to considering certain income statement elements. We have defined Adjusted income as *Net income attributable to Pfizer Inc.* before the impact of purchase accounting for acquisitions, acquisition-related costs, discontinued operations and certain significant items. Similarly, we have defined the Adjusted income components as *Revenues, Cost of sales, Selling, informational and administrative expenses, Research and development expenses, Amortization of intangible assets and Other (income)/deductions—net* each before the impact of purchase accounting for acquisitions, acquisition-related costs and certain significant items. The Adjusted income measure and the Adjusted income component measures are not, and should not be viewed as, a substitute for U.S. GAAP net income or U.S. GAAP net income components.

The Adjusted income measure is an important internal measurement for Pfizer. We measure the performance of the overall Company on this basis in conjunction with other performance metrics. The following are examples of how the Adjusted income measure is utilized:

- senior management receives a monthly analysis of our operating results that is prepared on an Adjusted income basis;
- our annual budgets are prepared on an Adjusted income basis; and
- senior management's annual compensation is derived, in part, using this Adjusted income measure. Adjusted income is the performance metric utilized in the determination of bonuses under the Pfizer Inc. Executive Annual Incentive Plan that is designed to limit the bonuses payable to the Executive Leadership Team (ELT) for purposes of Internal Revenue Code Section 162(m). Subject to the Section 162(m) limitation, the bonuses are funded from a pool based on the performance measured by three financial metrics, including adjusted diluted earnings per share, which is derived from Adjusted income. This metric accounts for 40% of the bonus pool funding. The pool applies to the bonus plans for virtually all bonus-eligible, non-sales-force employees worldwide, including the ELT members and other members of senior management.

Despite the importance of this measure to management in goal setting and performance measurement, Adjusted income is a non-GAAP financial measure that has no standardized meaning prescribed by U.S. GAAP and, therefore, has limits in its usefulness to investors. Because of its non-standardized definition, Adjusted income (unlike U.S. GAAP net income) may not be comparable to the calculation of similar measures of other companies. Adjusted income is presented solely to permit investors to more fully understand how management assesses performance.

We also recognize that, as an internal measure of performance, the Adjusted income measure has limitations, and we do not restrict our performance-management process solely to this metric. A limitation of the Adjusted income measure is that it provides a view of our operations without including all events during a period, such as the effects of an acquisition or amortization of purchased intangibles, and does not provide a comparable view of our performance to other companies in the biopharmaceutical industry. We also use other specifically tailored tools designed to achieve the highest levels of performance. For example, our R&D organization has productivity targets, upon which its effectiveness is measured. In addition, total shareholder return, both on an absolute basis and relative to a group of pharmaceutical industry peers, plays a significant role in determining payouts under certain of Pfizer's long-term incentive compensation plans.

See the accompanying reconciliations of certain GAAP reported to non-GAAP adjusted information for 2014, 2013 and 2012 below.

Purchase Accounting Adjustments

Adjusted income is calculated prior to considering certain significant purchase accounting impacts resulting from business combinations and net asset acquisitions. These impacts, primarily associated with Pharmacia Corporation (acquired in 2003), Wyeth (acquired in 2009) and King Pharmaceuticals, Inc. (acquired in 2011), can include the incremental charge to cost of sales from the sale of acquired inventory that was written up to fair value, amortization related to the increase in fair value of the acquired finite-lived intangible assets, depreciation related to the increase/decrease in fair value of the acquired fixed assets, amortization related to the increase in fair value of acquired debt, and the fair value changes associated with contingent consideration. Therefore, the Adjusted income measure includes the revenues earned upon the sale of the acquired products without considering the acquisition cost of those products.

Certain of the purchase accounting adjustments can occur through 20 or more years, but this presentation provides an alternative view of our performance that is used by management to internally assess business performance. We believe the elimination of amortization attributable to acquired intangible assets provides management and investors an alternative view of our business results by trying to provide a degree of parity to internally developed intangible assets for which research and development costs previously have been expensed.

However, a completely accurate comparison of internally developed intangible assets and acquired intangible assets cannot be achieved through Adjusted income. This component of Adjusted income is derived solely from the impacts of the items listed in the first paragraph of this section. We have not factored in the impacts of any other differences in experience that might have occurred if we had discovered and developed those intangible assets on our own, and this approach does not intend to be representative of the results that would have occurred in those circumstances. For example, our research and development costs in total, and in the periods presented, may have been different; our speed to commercialization and resulting sales, if any, may have been different; or our costs to manufacture may have been different. In addition, our marketing efforts may have been received differently by our customers. As such, in total, there can be no assurance that our Adjusted income amounts would have been the same as presented had we discovered and developed the acquired intangible assets.

Acquisition-Related Costs

Adjusted income is calculated prior to considering transaction, integration, restructuring and additional depreciation costs associated with business combinations because these costs are unique to each transaction and represent costs that were incurred to restructure and integrate two businesses as a result of the acquisition decision. For additional clarity, only transaction costs, additional depreciation and restructuring and integration activities that are associated with a business combination or a net-asset acquisition are included in acquisition-related costs. We have made no adjustments for the resulting synergies.

We believe that viewing income prior to considering these charges provides investors with a useful additional perspective because the significant costs incurred in connection with a business combination result primarily from the need to eliminate duplicate assets, activities or employees—a natural result of acquiring a fully integrated set of activities. For this reason, we believe that the costs incurred to convert disparate systems, to close duplicative facilities or to eliminate duplicate positions (for example, in the context of a business combination) can be viewed differently from those costs incurred in other, more normal, business contexts.

The integration and restructuring costs associated with a business combination may occur over several years, with the more significant impacts ending within three years of the transaction. Because of the need for certain external approvals for some actions, the span of time needed to achieve certain restructuring and integration activities can be lengthy. For example, due to the highly regulated nature of the pharmaceutical business, the closure of excess facilities can take several years, as all manufacturing changes are subject to extensive validation and testing and must be approved by the FDA and/or other global regulatory authorities.

Discontinued Operations

Adjusted income is calculated prior to considering the results of operations included in discontinued operations, as well as any related gains or losses on the disposal of such operations such as the gains on the full disposition of our former Animal Health business (Zoetis) in June 2013 and the sale of our former Nutrition business in November 2012. We believe that this presentation is meaningful to investors because, while we review our businesses and product lines for strategic fit with our operations, we do not build or run our businesses with the intent to sell them. Restatements due to discontinued operations do not impact compensation or change the Adjusted income measure for the compensation in respect of the restated periods, but are presented for consistency across all periods.

Certain Significant Items

Adjusted income is calculated prior to considering certain significant items. Certain significant items represent substantive, unusual items that are evaluated on an individual basis. Such evaluation considers both the quantitative and the qualitative aspect of their unusual nature. Unusual, in this context, may represent items that are not part of our ongoing business; items that, either as a result of their nature or size, we would not expect to occur as part of our normal business on a regular basis; items that would be non-recurring; or items that relate to products we no longer sell. While not all-inclusive, examples of items that could be included as certain significant items would be a major non-acquisition-related restructuring charge and associated implementation costs for a program that is specific in nature with a defined term, such as those related to our new global commercial structure reorganization and our other non-acquisition-related cost-reduction and productivity initiatives; amounts related to certain disposals of businesses, products or facilities that do not qualify as discontinued operations under U.S. GAAP; amounts associated with transitional service, manufacturing and supply agreements in support of discontinued operations after sale; certain intangible asset impairments; adjustments related to the resolution of certain tax positions; the impact of adopting certain significant, event-driven tax legislation; or charges related to certain legal matters, such as certain of those discussed in Notes to Consolidated Financial Statements—*Note 17A. Commitments and Contingencies: Legal Proceedings* and in Part II, Item 1, "Legal Proceedings" in our Quarterly Reports on Form 10-Q filings. Normal, ongoing defense costs of the Company or settlements of and accruals for legal matters made in the normal course of our business would not be considered certain significant items.

Reconciliation of GAAP Reported to Non-GAAP Adjusted Information—Certain Line Items

IN MILLIONS, EXCEPT PER COMMON SHARE DATA	2014 GAAP Reported	Purchase Accounting Adjustments[a]	Acquisition-Related Costs[a]	Discontinued Operations[a]	Certain Significant Items[a]	Non-GAAP Adjusted
Revenues	**$ 49,605**	$ —	$ —	$ —	$ (198)	$ 49,406
Cost of sales	**9,577**	101	(53)	—	(491)	9,134
Selling, informational and administrative expenses	**14,097**	1	—	—	(377)	13,721
Research and development expenses	**8,393**	2	—	—	(1,243)	7,153
Amortization of intangible assets	**4,039**	(3,884)	—	—	—	155
Restructuring charges and certain acquisition-related costs	**250**	—	(130)	—	(121)	—
Other (income)/deductions—net	**1,009**	139	—	—	(1,716)	(567)
Income from continuing operations before provision for taxes on income	**12,240**	3,641	183	—	3,749	19,812
Provision for taxes on income[b]	**3,120**	1,085	76	—	969	5,250
Income from continuing operations	**9,119**	2,556	107	—	2,780	14,562
Discontinued operations—net of tax	**48**	—	—	(48)	—	—
Net income attributable to noncontrolling interests	**32**	—	—	—	—	32
Net income attributable to Pfizer Inc.	**9,135**	2,556	107	(48)	2,780	14,530
Earnings per common share attributable to Pfizer Inc.—diluted	**1.42**	0.40	0.02	(0.01)	0.43	2.26

See end of tables for notes [a] and [b].

IN MILLIONS, EXCEPT PER COMMON SHARE DATA	2013 GAAP Reported	Purchase Accounting Adjustments[a]	Acquisition-Related Costs[a]	Discontinued Operations[a]	Certain Significant Items[a]	Non-GAAP Adjusted
Revenues	**$ 51,584**	$ —	$ —	$ —	$ (132)	$ 51,452
Cost of sales	**9,586**	23	(116)	—	(220)	9,273
Selling, informational and administrative expenses	**14,355**	8	(8)	—	(183)	14,172
Research and development expenses	**6,678**	3	—	—	(127)	6,554
Amortization of intangible assets	**4,599**	(4,438)	—	—	—	161
Restructuring charges and certain acquisition-related costs	**1,182**	—	(252)	—	(930)	—
Other (income)/deductions—net	**(532)**	60	—	—	636	164
Income from continuing operations before provision for taxes on income	**15,716**	4,344	376	—	692	21,128
Provision for taxes on income[b]	**4,306**	1,198	(7)	—	313	5,810
Income from continuing operations	**11,410**	3,146	383	—	379	15,318
Discontinued operations—net of tax	**10,662**	—	—	(10,662)	—	—
Net income attributable to noncontrolling interests	**69**	—	—	(39)	—	30
Net income attributable to Pfizer Inc.	**22,003**	3,146	383	(10,623)	379	15,288
Earnings per common share attributable to Pfizer Inc.—diluted	**3.19**	0.46	0.06	(1.54)	0.05	2.22

IN MILLIONS, EXCEPT PER COMMON SHARE DATA	2012 GAAP Reported	Purchase Accounting Adjustments[a]	Acquisition-Related Costs[a]	Discontinued Operations[a]	Certain Significant Items[a]	Non-GAAP Adjusted
Revenues	**$ 54,657**	$ —	$ —	$ —	$ —	$ 54,657
Cost of sales	**9,821**	(1)	(258)	—	(70)	9,492
Selling, informational and administrative expenses	**15,171**	11	(9)	—	(144)	15,029
Research and development expenses	**7,482**	3	(6)	—	(521)	6,958
Amortization of intangible assets	**5,109**	(4,924)	—	—	—	185
Restructuring charges and certain acquisition-related costs	**1,810**	—	(673)	—	(1,137)	—
Other (income)/deductions—net	**4,022**	6	—	—	(3,167)	861
Income from continuing operations before provision for taxes on income	**11,242**	4,905	946	—	5,039	22,132
Provision for taxes on income[b]	**2,221**	1,343	203	—	2,588	6,355
Income from continuing operations	**9,021**	3,562	743	—	2,451	15,777
Discontinued operations—net of tax	**5,577**	—	—	(5,577)	—	—
Net income attributable to noncontrolling interests	**28**	—	—	—	—	28
Net income attributable to Pfizer Inc.	**14,570**	3,562	743	(5,577)	2,451	15,749
Earnings per common share attributable to Pfizer Inc.—diluted	**1.94**	0.47	0.10	(0.74)	0.33	2.10

[a] For details of adjustments, see "Details of Income Statement Items Excluded from Adjusted Income" below.

[b] The effective tax rate on Non-GAAP Adjusted income was 26.5% in 2014, 27.5% in 2013 and 28.7% in 2012. The effective tax rate in 2014 compared to 2013 was favorably impacted by the change in the jurisdictional mix of earnings as a result of operating fluctuations in the normal course of business, partially offset by a decrease in the favorable impact of the resolution of certain tax positions, pertaining to prior years, with various foreign tax authorities and from the expiration of certain statutes of limitations, as well as a decrease in the favorable impact of the U.S. R&D tax credit compared to last year. The effective tax rate for 2013 compared with 2012 was favorably impacted by the increase in tax benefits related to audit settlements with foreign jurisdictions and the expiration of certain statutes of limitations in multiple jurisdictions covering various periods, as well as the extension of the U.S. R&D tax credit that was signed into law in January 2013.

Details of Income Statement Items Excluded from Adjusted Income

Adjusted income, as shown above, excludes the following items:

	Year Ended December 31,		
(MILLIONS OF DOLLARS)	**2014**	2013	2012
Purchase accounting adjustments			
Amortization, depreciation and other[a]	**$ 3,742**	$ 4,367	$ 4,904
Cost of sales	**(101)**	(23)	1
Total purchase accounting adjustments—pre-tax	**3,641**	4,344	4,905
Income taxes[b]	**(1,085)**	(1,198)	(1,343)
Total purchase accounting adjustments—net of tax	**2,556**	3,146	3,562
Acquisition-related costs			
Restructuring charges[c]	**50**	108	291
Transaction costs[c]	**—**	—	1
Integration costs[c]	**80**	144	381
Additional depreciation—asset restructuring[d]	**53**	124	273
Total acquisition-related costs—pre-tax	**183**	376	946
Income taxes[e]	**(76)**	7	(203)
Total acquisition-related costs—net of tax	**107**	383	743
Discontinued operations			
Discontinued operations—net of tax[f]	**(48)**	(10,662)	(5,577)
Discontinued operations—net of tax, attributable to noncontrolling interests	**—**	39	—
Total discontinued operations—net of tax, attributable to Pfizer Inc.	**(48)**	(10,623)	(5,577)
Certain significant items			
Restructuring charges[g]	**121**	930	1,137
Implementation costs and additional depreciation—asset restructuring[h]	**478**	398	692
Upfront fee associated with collaborative arrangement[i]	**1,163**	—	—
Additional year of Branded Prescription Drug Fee[j]	**215**	—	—
Patent litigation settlement income[k]	**—**	(1,342)	—
Other legal matters, net[l]	**999**	21	2,191
Gain associated with the transfer of certain product rights[i]	**—**	(459)	—
Certain asset impairments[m]	**440**	836	875
Business and legal entity alignment costs[n]	**168**	—	—
Costs associated with the Zoetis IPO[o]	**—**	18	125
Income associated with the transitional manufacturing and supply agreements with Zoetis[p]	**(32)**	(16)	—
Other[q]	**197**	306	19
Total certain significant items—pre-tax	**3,749**	692	5,039
Income taxes[r]	**(969)**	(313)	(2,588)
Total certain significant items—net of tax	**2,780**	379	2,451
Total purchase accounting adjustments, acquisition-related costs, discontinued operations and certain significant items—net of tax, attributable to Pfizer Inc.	**$ 5,394**	$ (6,715)	$ 1,179

[a] Included primarily in *Amortization of intangible assets*.

[b] Included in *Provision for taxes on income.* Income taxes includes the tax effect of the associated pre-tax amounts, calculated by determining the jurisdictional location of the pre-tax amounts and applying that jurisdiction's applicable tax rate.

[c] Included in *Restructuring charges and certain acquisition-related costs* (see Notes to Consolidated Financial Statements—*Note 3. Restructuring Charges and Other Costs Associated with Acquisitions and Cost-Reduction/Productivity Initiatives*). Restructuring charges include employee termination costs, asset impairments and other exit costs associated with business combinations. Transaction costs represent external costs directly related to acquired businesses and primarily include expenditures for banking, legal, accounting and other similar services. Integration costs represent external, incremental costs directly related to integrating acquired businesses, and primarily include expenditures for consulting and the integration of systems and processes.

[d] Represents the impact of changes in estimated useful lives of assets involved in restructuring actions related to acquisitions. For 2014, included in *Cost of sales.* For 2013, included in *Cost of sales* ($116 million) and *Selling informational and administrative expenses* ($8 million). For 2012, included in *Cost of sales* ($258 million), *Selling informational and administrative expenses* ($9 million) and *Research and development expenses* ($6 million).

[e] Included in *Provision for taxes on income.* Income taxes includes the tax effect of the associated pre-tax amounts, calculated by determining the jurisdictional location of the pre-tax amounts and applying that jurisdiction's applicable tax rate. As applicable, each period may also include the impact of the remeasurement

of certain deferred tax liabilities as a consequence of our plant network restructuring activities: in 2014, there was a favorable impact; and in 2013, there was an unfavorable impact.

(f) Included in *Discontinued operations—net of tax*. For 2014, represents post-close adjustments. For 2013, virtually all relates to our former Animal Health business, through June 24, 2013, the date of disposal. For 2012, virtually all relates to our former Nutrition business through November 30, 2012, the date of disposal (see Notes to Consolidated Financial Statements—*Note 2D. Acquisitions, Licensing Agreements, Collaborative Arrangements, Divestitures, and Equity-Method Investments: Divestitures*).

(g) Represents restructuring charges primarily incurred for our cost-reduction and productivity initiatives. Included in *Restructuring charges and certain acquisition-related costs* (see Notes to Consolidated Financial Statements—*Note 3. Restructuring Charges and Other Costs Associated with Acquisitions and Cost-Reduction/Productivity Initiatives*).

(h) Amounts primarily relate to our cost-reduction/productivity initiatives (see Notes to Consolidated Financial Statements—*Note 3. Restructuring Charges and Other Costs Associated with Acquisitions and Cost-Reduction/Productivity Initiatives*). For 2014, virtually all included in *Cost of sales* ($253 million), *Selling, informational and administrative expenses* ($141 million) and *Research and development expenses* ($83 million) For 2013, included in *Selling, informational and administrative expenses* ($156 million), *Research and development expenses* ($127 million) and *Cost of sales* ($115 million). For 2012, included in *Research and development expenses* ($521 million), *Selling, informational and administrative expenses* ($141 million) and *Cost of sales* ($30 million).

(i) Virtually all included in *Research and development expenses*. Represents a charge associated with a collaborative arrangement with Merck KGaA, announced in November 2014, to jointly develop and commercialize an investigational anti-PD-L1 antibody currently in development as a potential treatment for multiple types of cancer. The charge includes an $850 million upfront cash payment as well as an additional amount of $309 million, reflecting the estimated fair value of the co-promotion rights for Xalkori given to Merck KGaA.

(j) Included in *Selling, informational and administrative expenses*. In 2014, represents a charge to account for an additional year of the non-tax deductible Branded Prescription Drug Fee in accordance with final regulations issued in the third quarter of 2014 by the U.S. Internal Revenue Service (IRS).

(k) In 2013, reflects income from a litigation settlement with Teva Pharmaceutical Industries Ltd. and Sun Pharmaceutical Industries Ltd. for patent-infringement damages resulting from their "at-risk" launches of generic Protonix in the U.S. Included in *Other (income)/deductions—net* (see the "Other (Income)/Deductions—Net" section of this Financial Review and Notes to Consolidated Financial Statements—*Note 4. Other (Income)/Deductions—Net*).

(l) Included in *Other (income)/deductions—net* (see the “Other (Income)/Deductions—Net” section of this Financial Review and Notes to Consolidated Financial Statements—*Note 4. Other (Income)/Deductions—Net*).

(m) For 2014 and 2013, included in *Other (income)/deductions—net.* For 2012, substantially all included in *Other (income)/deductions—net* (see the “Other (Income)/Deductions—Net” section of this Financial Review and Notes to Consolidated Financial Statements—*Note 4. Other (Income)/Deductions—Net*).

(n) Included in *Other (income)/deductions—net.* In 2014, represents expenses for planning and implementing changes to our infrastructure to operate our new business segments.

(o) Represents costs incurred in connection with the initial public offering of an approximate 19.8% ownership interest in Zoetis. Includes expenditures for banking, legal, accounting and similar services. For 2013 and 2012, primarily included in *Other (income)/deductions—net* (see the "Other (Income)/Deductions—Net" section of this Financial Review and Notes to Consolidated Financial Statements—*Note 4. Other (Income)/Deductions—Net*).

(p) Virtually all included in *Revenues* ($272 million) and in *Cost of sales* ($237 million) for 2014. Included in *Revenues* ($132 million) and in *Cost of sales* ($116 million) for 2013.

(q) For 2014, virtually all included in *Revenues* ($74 million), *Selling, informational and administrative expenses* ($21 million) and *Other (income)/deductions—net* ($100 million). For 2013, included in *Cost of sales* ($11 million income), *Selling, informational and administrative expenses* ($26 million) and *Other (income)/deductions—net* ($291 million). In 2013, includes an estimated loss on an option to acquire the remaining interest in Laboratório Teuto Brasileiro S.A. (Teuto), a 40%-owned generics company in Brazil (approximately $223 million). In 2014, includes income resulting from a decline in the estimated loss from the aforementioned option (approximately $55 million).

(r) Included in *Provision for taxes on income*. Income taxes includes the tax effect of the associated pre-tax amounts, calculated by determining the jurisdictional location of the pre-tax amounts and applying that jurisdiction's applicable tax rate. The amount in 2014 was favorably impacted by the decline in the non-tax deductible estimated loss recorded in the third quarter of 2013 related to an option to acquire the remaining interest in Teuto, since we expect to retain the investment indefinitely, and unfavorably impacted by a non-tax deductible charge to account for an additional year of the Branded Prescription Drug Fee in accordance with final regulations issued in the third quarter of 2014 by the IRS. The amount in 2013 was favorably impacted by U.S. tax benefits of approximately $430 million, representing tax and interest, resulting from a settlement with the IRS with respect to audits of the Wyeth tax returns for the years 2006 through date of acquisition and unfavorably impacted by (i) the tax rate associated with the patent litigation settlement income, (ii) the non-deductibility of goodwill derecognized and the jurisdictional mix of the other intangible assets divested as part of the transfer of certain product rights to Hisun Pfizer, and (iii) the aforementioned non-tax deductible estimated loss related to the Teuto option, since we expect to retain the investment indefinitely, and the non-deductibility of an impairment charge related to our equity method investment in Teuto. The amount in 2012 was favorably impacted by U.S. tax benefits of approximately $1.1 billion, representing tax and interest, resulting from a settlement with the IRS with respect to audits for multiple tax years (see Notes to Consolidated Financial Statements—*Note 5A. Tax Matters: Taxes on Income from Continuing Operations*).

ANALYSIS OF OPERATING SEGMENT INFORMATION

The following tables and associated notes provide additional information about the performance of our three operating segments—the Global Innovative Pharmaceutical segment (GIP); the Global Vaccines, Oncology and Consumer Healthcare segment (VOC); and the Global Established Pharmaceutical segment (GEP). For additional information about each operating segment, see the "Our Strategy—Commercial Operations" section of this Financial Review and Notes to Consolidated Financial Statements —*Note 18. Segment, Geographic and Other Revenue Information.*

(MILLIONS OF DOLLARS)	GIP[a]	VOC[a]	GEP[a]	Other[b]	Non-GAAP Adjusted[c]	Reconciling Items[d]	GAAP Reported
2014							
Revenues	**$ 13,861**	**$ 10,144**	**$ 25,149**	**$ 253**	**$ 49,406**	**$ 198**	**$ 49,605**
Cost of sales	**1,858**	**1,991**	**4,570**	**716**	**9,134**	**443**	**9,577**
Selling, informational and administrative expenses	**3,606**	**2,556**	**3,903**	**3,655**	**13,721**	**377**	**14,097**
Research and development expenses	**1,625**	**925**	**657**	**3,946**	**7,153**	**1,241**	**8,393**
Amortization of intangible assets	**45**	**24**	**85**	**—**	**155**	**3,884**	**4,039**
Restructuring charges and certain acquisition-related costs	**—**	**—**	**—**	**—**	**—**	**250**	**250**
Other (income)/deductions—net	**(1,052)**	**(44)**	**(265)**	**794**	**(567)**	**1,577**	**1,009**
Income from continuing operations before provision for taxes on income	**$ 7,780**	**$ 4,692**	**$ 16,199**	**$ (8,859)**	**$ 19,812**	**$ (7,573)**	**$ 12,240**

(MILLIONS OF DOLLARS)	GIP[a]	VOC[a]	GEP[a]	Other[b]	Non-GAAP Adjusted[c]	Reconciling Items[d]	GAAP Reported
2013[e]							
Revenues	$ 14,317	$ 9,285	$ 27,619	$ 232	$ 51,452	$ 132	$ 51,584
Cost of sales	1,833	1,843	4,732	866	9,273	313	9,586
Selling, informational and administrative expenses	3,194	2,326	4,714	3,938	14,172	183	14,355
Research and development expenses	1,242	912	737	3,663	6,554	124	6,678
Amortization of intangible assets	45	13	100	3	161	4,438	4,599
Restructuring charges and certain acquisition-related costs	—	6	—	(5)	—	1,182	1,182
Other (income)/deductions—net	(545)	(31)	(216)	957	164	(696)	(532)
Income from continuing operations before provision for taxes on income	$ 8,549	$ 4,216	$ 17,552	$ (9,189)	$ 21,128	$ (5,412)	$ 15,716

(MILLIONS OF DOLLARS)	GIP[a]	VOC[a]	GEP[a]	Other[b]	Non-GAAP Adjusted[c]	Reconciling Items[d]	GAAP Reported
2012[e]							
Revenues	$ 13,756	$ 8,991	$ 31,678	$ 231	$ 54,657	$ —	$ 54,657
Cost of sales	1,924	1,822	4,945	802	9,492	329	9,821
Selling, informational and administrative expenses	2,798	2,372	5,750	4,109	15,029	142	15,171
Research and development expenses	1,105	1,180	884	3,789	6,958	523	7,482
Amortization of intangible assets	51	1	128	6	185	4,924	5,109
Restructuring charges and certain acquisition-related costs	—	—	—	—	—	1,810	1,810
Other (income)/deductions—net	(447)	19	60	1,226	861	3,161	4,022
Income from continuing operations before provision for taxes on income	$ 8,325	$ 3,597	$ 19,910	$ (9,701)	$ 22,132	$ (10,889)	$ 11,242

[a] Amounts represent the revenues and costs managed by each of our operating segments. The expenses generally include only those costs directly attributable to the operating segment.

[b] Other comprises the revenues and costs included in our Adjusted income components (see footnote (c) below) that are managed outside of our three operating segments and includes the following:

	2014					
	Other Business Activities					
(MILLIONS OF DOLLARS)	PCS[i]	WRD[ii]	Medical[iii]	Corporate[iv]	Other Unallocated[v]	Total
Revenues	**$ 253**	**$ —**	**$ —**	**$ —**	**$ —**	**$ 253**
Cost of sales	**165**	**—**	**—**	**100**	**451**	**716**
Selling, informational and administrative expenses	**19**	**—**	**144**	**3,454**	**37**	**3,655**
Research and development expenses	**3**	**3,056**	**27**	**850**	**12**	**3,946**
Amortization of intangible assets	**—**	**—**	**—**	**—**	**—**	**—**
Restructuring charges and certain acquisition-related costs	**—**	**—**	**—**	**—**	**—**	**—**
Other (income)/deductions—net	**(3)**	**(66)**	**—**	**795**	**67**	**794**
Income from continuing operations before provision for taxes on income	**$ 69**	**$ (2,989)**	**$ (171)**	**$ (5,200)**	**$ (567)**	**$ (8,859)**

	2013					
	Other Business Activities					
(MILLIONS OF DOLLARS)	PCS[i]	WRD[ii]	Medical[iii]	Corporate[iv]	Other Unallocated[v]	Total
Revenues	$ 232	$ —	$ —	$ 1	$ —	$ 232
Cost of sales	142	—	—	143	582	866
Selling, informational and administrative expenses	14	1	146	3,699	78	3,938
Research and development expenses	3	2,799	23	823	16	3,663
Amortization of intangible assets	—	2	—	—	1	3
Restructuring charges and certain acquisition-related costs	—	—	—	—	(5)	(5)
Other (income)/deductions—net	(2)	(66)	1	1,025	(1)	957
Income from continuing operations before provision for taxes on income	$ 75	$ (2,735)	$ (169)	$ (5,689)	$ (671)	$ (9,189)

	2012					
	Other Business Activities					
(MILLIONS OF DOLLARS)	PCS[i]	WRD[ii]	Medical[iii]	Corporate[iv]	Other Unallocated[v]	Total
Revenues	$ 231	$ —	$ —	$ —	$ —	$ 231
Cost of sales	142	—	—	114	546	802
Selling, informational and administrative expenses	13	2	128	3,914	52	4,109
Research and development expenses	3	2,552	287	920	27	3,789
Amortization of intangible assets	—	2	—	(1)	4	6
Restructuring charges and certain acquisition-related costs	—	—	—	—	—	—
Other (income)/deductions—net	(2)	(9)	2	1,113	122	1,226
Income from continuing operations before provision for taxes on income	$ 75	$ (2,547)	$ (417)	$ (6,060)	$ (751)	$ (9,701)

[i] PCS—the revenues and costs of Pfizer CentreSource (PCS), our contract manufacturing and bulk pharmaceutical chemical sales operation.

[ii] WRD—the research and development expenses managed by our Worldwide Research and Development organization (WRD), which is generally responsible for research projects until proof-of-concept is achieved and then for transitioning those projects to the appropriate operating segment for possible clinical and commercial development. This organization also has responsibility for certain science-based and other platform-services organizations, which provide technical expertise and other services to the various R&D projects. WRD is also responsible for facilitating all regulatory submissions and interactions with regulatory agencies, including all safety-event activities.

[iii] Medical—the costs associated with our Pfizer Medical organization (Medical), which is responsible for the provision of medical information to healthcare providers, patients and other parties, transparency and disclosure activities, clinical trial results publication, grants for healthcare quality improvement and medical education, partnerships with global public health and medical associations, regulatory inspection readiness reviews, internal audits of Pfizer-sponsored clinical trials and internal regulatory compliance processes.

[iv] Corporate—the costs associated with Corporate, representing platform functions (such as worldwide technology, global real estate operations, legal, finance, human resources, worldwide public affairs, compliance, and worldwide procurement) and certain compensation and other corporate costs, such as interest income and expense, and gains and losses on investments.

[v] Other Unallocated—other unallocated costs, representing overhead expenses associated with our manufacturing and commercial operations not directly attributable to an operating segment.

For information purposes only, for 2014, we estimate that Other costs, in the aggregate and as described above, but excluding (i) the revenues and costs associated with PCS; (ii) net interest expense included in Corporate (approximately $1.0 billion in *Other (income)/deductions—net*); and (iii) net gains on investments not attributable to an operating segment and included in Corporate (approximately $183 million in *Other (income)/deductions—net*), are generally associated with our operating segments, as follows:

(PERCENTAGES)	GIP	VOC	GEP
WRD/Medical Costs			
Selling, informational and administrative expenses	43% - 45%	24% - 26%	30% - 32%
Research and development expenses	48% - 52%	32% - 35%	16% - 18%
Other (income)/deductions—net	*	*	*
Total WRD/Medical Costs	47% - 51%	32% - 35%	17% - 19%
Corporate/Other Unallocated Costs			
Cost of sales	10% - 12%	10% - 12%	76% - 78%
Selling, informational and administrative expenses	26% - 28%	20% - 22%	50% - 54%
Research and development expenses	45% - 49%	35% - 38%	16% - 18%
Other (income)/deductions—net	*	*	*
Total Corporate/Other Unallocated Costs	27% - 30%	21% - 24%	47% - 50%
Total WRD/Medical and Corporate/Other Unallocated Costs			
Cost of sales	10% - 12%	10% - 12%	76% - 78%
Selling, informational and administrative expenses	27% - 29%	20% - 22%	49% - 53%
Research and development expenses	47% - 51%	33% - 36%	16% - 18%
Other (income)/deductions—net	*	*	*
Total WRD/Medical and Corporate/Other Unallocated Costs	35% - 38%	26% - 29%	35% - 38%

* Amounts not material. After excluding net interest expense included in Corporate and net gains on investments not attributable to an operating segment and included in Corporate, *Other (income)/deductions—net* approximates $27 million of income.

The percentages provided in the table above do not purport to reflect the additional amounts that each of our operating segments would have incurred had each segment operated as a standalone company during the period presented.

- WRD/Medical—The information provided in the table above for WRD and Medical was substantially all derived from our estimates of the costs incurred in connection with the research and development projects associated with each operating segment.
- Corporate/Other Unallocated—The information provided in the table above for Corporate and Other Unallocated was virtually all derived using proportional allocation methods based on global, regional or country revenues or global, regional or country headcount, as well as certain cost metrics, as appropriate, such as those derived from research and development and manufacturing costs. Management believes that the allocations of Corporate and Other Unallocated costs are reasonable.

[c] See the "Adjusted Income" section of this Financial Review for a definition of these "Adjusted Income" components.

[d] Includes costs associated with (i) purchase accounting adjustments; (ii) acquisition-related costs; and (iii) certain significant items, which are substantive, unusual items that are evaluated on an individual basis by management. For additional information about these reconciling items and/or our Non-GAAP Adjusted measure of performance, see the "Adjusted Income" section of this Financial Review.

[e] As our operations were not managed under the new structure until the beginning of the first quarter of 2014, certain costs and expenses could not be directly attributed to one of the new operating segments. As a result, our operating segment results for 2013 and 2012 include allocations. The amounts subject to allocation methods in 2013 and 2012 were approximately $2.1 billion and $2.3 billion, respectively, of selling, informational and administrative expenses and approximately $800 million and $990 million, respectively, of research and development expenses.

- The selling, informational and administrative expenses were allocated using proportional allocation methods based on associated selling costs, revenues or product-specific costs, as applicable.
- The research and development expenses were allocated based on product-specific R&D costs or revenue metrics, as applicable.

Management believes that the allocations are reasonable.

Global Innovative Pharmaceutical Operating Segment

2014 vs. 2013

- *Revenues* decreased 3% to $13,861 million in 2014, compared to $14,317 million in the same period in 2013, which includes a decrease in operational revenues of 2% in 2014, primarily due to:
  - the expiration of the co-promotion term of the collaboration agreement for Enbrel in the U.S. and Canada on October 31, 2013 (approximately $1.4 billion in 2014); and
  - loss of exclusivity for Lyrica in Canada in February 2013 (a decline of approximately $67 million in 2014),

partially offset by:

- strong operational growth from Lyrica, primarily in the U.S. and Japan, and Enbrel outside the U.S. and Canada, as well as the performance of recently launched products, including Eliquis, primarily in the U.S. and most other developed markets, and Xeljanz primarily in the U.S. (a combined increase of approximately $1.1 billion in 2014).

The unfavorable impact of foreign exchange of 1% in 2014 also contributed to the decrease in GIP revenues.

Total GIP revenues from emerging markets were $1.6 billion in 2014.

- *Cost of sales* as a percentage of *Revenues* increased in 2014, compared to 2013, due to the loss of Enbrel alliance revenue after October 31, 2013 when the co-promotion term of the collaboration agreement for Enbrel in the U.S. and Canada expired as well as an unfavorable change in product mix. The increase in *Cost of sales* primarily reflects an unfavorable change in product mix.
- *Selling, informational and administrative expenses* increased 13% in 2014 compared to 2013, reflecting increased investment in recently launched products and certain in-line products.
- *Research and development expenses* increased 31% in 2014 compared to 2013, reflecting incremental investment in late-stage pipeline products.
- The favorable change in *Other (income)/deductions—net* in 2014, compared to 2013, primarily reflects an increase in royalty-related income, primarily due to royalties earned on sales of Enbrel in the U.S. and Canada after October 31, 2013. As noted above, on that date, the co-promotion term of the collaboration agreement for Enbrel in the U.S. and Canada expired, and Pfizer became entitled to royalties for a 36-month period thereafter.

2013 vs. 2012:

- Revenues increased 4% to $14,317 million in 2013, compared to $13,756 million in the same period in 2012, primarily due to:
  - **S**trong operational growth from Lyrica and Xeljanz in the U.S., and the launch in February 2013 of Eliquis.

partially offset by:

- the expiration of the co-promotion term of the collaboration agreement for Enbrel in the U.S. and Canada on October 31, 2013 (a decline of approximately $92 million in 2013); and
- loss of exclusivity for Lyrica in Canada in February 2013 (a decline of approximately $104 million in 2013).

Total GIP revenues from emerging markets were $1.6 billion in 2013.

- *Cost of sales* as a percentage of *Revenues* decreased 1% in 2013 compared to 2012, partially due to the favorable impact of foreign exchange plus a favorable shift in product mix partially offset by the unfavorable impact of the loss of Enbrel alliance revenues after October 31, 2013.
- *Selling, informational and administrative expenses* increased 14% in 2013 compared to 2012, reflecting increased investments in recently launched products and certain in-line products.
- *Research and development expenses* increased 12% in 2013 compared to 2012, reflecting investment in pipeline assets and additional indications for Xeljanz.
- The favorable change in *Other (income)/deductions—net* in 2013, compared to 2012, primarily reflects an increase in royalty-related income, primarily due to royalties earned on sales of Enbrel in the U.S. and Canada after October 31, 2013.

Global Vaccines, Oncology and Consumer Healthcare Operating Segment

2014 vs. 2013:

- Revenues increased 9% in 2014, compared to 2013, which includes an increase in operational revenues of 11% in 2014.
  - Global Vaccines *Revenues* increased 13% to $4,480 million in 2014, compared to $3,965 million in 2013, reflecting an increase in operational revenues of 15% in 2014. The increase was primarily due to the performance of Prevnar 13 in the U.S., primarily reflecting the timing of government purchasing patterns, increased prices and increased demand among adults following the positive recommendation from the U.S. Centers for Disease Control and Prevention's Advisory Committee on Immunization Practices for use in adults aged 65 and over. International revenues for the Prevenar family increased 10% operationally in 2014, which primarily reflects increased shipments associated with the Global Alliance for Vaccines and Immunization (GAVI) as well as the timing of government purchases in various emerging markets compared with 2013.

  Foreign exchange had an unfavorable impact of 2% on Vaccines revenues in 2014 compared to 2013.

  Total Vaccines revenues from emerging markets were $1.0 billion in 2014.

  - Global Oncology *Revenues* increased 12% to $2,218 million in 2014, compared to $1,978 million in 2013, reflecting an increase in operational revenues of 14% in 2014, due to continued strong underlying demand for recent product launches, Xalkori and Inlyta globally, as well as growth from Bosulif, primarily in the U.S.

  Foreign exchange had an unfavorable impact of 2% on Oncology revenues in 2014 compared to the same period in 2013.

  Total Oncology revenues from emerging markets were $375 million in 2014.

- Consumer Healthcare *Revenues* increased 3% to $3,446 million in 2014, compared to $3,342 million in 2013, reflecting an increase in operational revenues of 5% in 2014, primarily due to the launch of Nexium 24HR in the U.S. in late-May 2014 and growth of vitamin supplement products in emerging markets, partially offset by a decrease in revenues for respiratory products in the U.S. and Canada due to a less severe cold and flu incidence, and for Advil due to the 2013 launch of Advil Film-Coated, which triggered increased retail purchases in the prior year.

Foreign exchange had an unfavorable impact of 2% on Consumer Healthcare revenues in 2014, compared to 2013.

Total Consumer Healthcare revenues from emerging markets were $942 million in 2014.

- *Cost of sales* increased 8% to $1,991 million in 2014, compared to $1,843 million in 2013, primarily due to an increase in sales volumes, partially offset by favorable foreign exchange.
- *Selling informational and administrative expenses* increased 10% in 2014, compared to 2013, primarily driven by Consumer Healthcare expenses incurred to support the launch of Nexium 24HR in the U.S., Prevnar 13 adult investment, as well as the launch and pre-launch marketing expenses for Trumenba (meningitis B vaccine) and Ibrance (palbociclib).
- *Research and development expenses* increased 1% in 2014, compared to 2013, reflecting increased investment in Ibrance (palbociclib) and our vaccines portfolio (including Trumenba), as well as costs associated with our anti-PD-L1 alliance with Merck KGaA, partially offset by lower costs for certain oncology programs.

2013 vs. 2012:

- *Revenues* increased 3% in 2013, compared to the same periods in 2012.
  - Global Vaccines *Revenues* decreased 5% to $3,965 million in 2013, compared to $4,167 million in 2012, primarily due to lower revenues from Prevnar as a result of decreased government purchases in the U.S.

    Total Vaccines revenues from emerging markets were $878 million in 2013.
  - Global Oncology *Revenues* increased 23% to $1,978 million in 2013, compared to $1,613 million in the same period in 2012, due to new product growth from Inlyta and Xalkori.

    Total Oncology revenues from emerging markets were $363 million in 2013.
  - Consumer Healthcare *Revenues* increased 4% to $3,342 million in 2013, compared to $3,212 million in 2012, due to strong growth for Centrum as a result of several recent product launches; increased promotional activities for various products in key markets; and the growth of Emergen-C in the U.S. due to expanded distribution and promotional activities, partially offset by a decline in sales of pain management products (mostly in the U.S.).

  Total Consumer Healthcare revenues from emerging markets were $925 million in 2013.
- *Cost of sales* increased 1% to $1,843 million in 2013, compared to $1,822 million in 2012, primarily due to increased sales volumes.
- *Research and development expenses* decreased 23% in 2013, compared to 2012, primarily driven by the non-recurrence of a $250 million payment to AstraZeneca in 2012 to obtain the exclusive, global, OTC rights to Nexium.

Global Established Pharmaceutical Operating Segment

2014 vs. 2013:

- *Revenues* decreased 9%, to $25,149 million in 2014, compared to $27,619 million in 2013, including a decrease in operational revenues of 7% in 2014, primarily due to:
  - the loss of exclusivity and subsequent launch of multi-source generic competition for Detrol LA in the U.S. in January 2014, Celebrex in the U.S. in December 2014 and developed Europe in November 2014, Viagra in most major European markets in June 2013 as well as Aricept in Canada in December 2013 (aggregate decline of approximately $826 million in 2014);
  - the expiration or near-term expiration of the co-promotion collaboration for Spiriva in most countries, which has resulted in a decline in Pfizer's share of Spiriva revenues (approximately $490 million in 2014);
  - a decline in branded Lipitor revenues in the U.S. and most other developed markets as a result of continued generic competition (approximately $388 million in 2014);
  - the operational decline of certain products, including Effexor, Norvasc, atorvastatin, Zosyn/Tazocin, Metaxalone, Ziprasidone and Tygacil (approximately $428 million in 2014);
  - an operational decline due to loss of exclusivity for certain other products in developed markets (approximately $170 million in 2014); and
  - a decline in Aricept, not including Canada, revenues primarily due to the termination of the co-promotion agreement in Japan in December 2012 (approximately $75 million in 2014),

  partially offset by:
  - the operational growth of Lipitor in China (approximately $164 million in 2014);
  - the strong operational performance of Lyrica in Europe (growth of approximately $144 million in 2014); and
  - the contribution from the collaboration with Mylan Inc. to market generic drugs in Japan (approximately $37 million in 2014).

  Foreign exchange had an unfavorable impact of 2% on GEP revenues in 2014.

  Total GEP revenues from emerging markets were $7.5 billion in 2014.

- *Cost of sales* as a percentage of *Revenues* increased 1% in 2014 compared to 2013, primarily due to the impact of losses of exclusivity and an unfavorable change in product mix. The 3% decrease in *Cost of sales* is primarily driven by favorable foreign exchange.
- *Selling, informational and administrative expenses* decreased 17% in 2014, compared to 2013, due to lower expenses for field force and marketing expenses, reflecting the benefits of cost-reduction and productivity initiatives.
- *Research and development expenses* decreased 11% in 2014 compared to 2013, due to lower clinical trial expenses and the benefits from cost-reduction and productivity initiatives, partially offset by increased spending on our biosimilars development programs.

2013 vs. 2012:

- *Revenues* decreased 13%, to $27,619 million in 2013, compared to $31,678 million in 2012, primarily due to:
  - the continued erosion of branded Lipitor in the U.S., developed Europe and certain other developed markets (approximately $1.7 billion in 2013);
  - the loss of exclusivity of Geodon and Revatio in the U.S. and Xalabrands in developed Europe and Australia (down approximately $514 million in 2013);
  - lower Alliance revenues from Spiriva (down approximately $475 million in 2013), reflecting the ongoing expiration of the Spiriva collaboration in certain countries, and Aricept (down approximately $395 million), due to loss of exclusivity in many major European markets;
  - lower revenues from Viagra (down approximately $108 million in 2013) primarily due to loss of exclusivity in most major markets in Europe;
  - lower revenues from Zosyn (down approximately $55 million in 2013); and
  - lower revenues from generic atorvastatin (approximately $145 million),

  partially offset by:
  - the strong operational performance of Lyrica, Celebrex and Pristiq (up approximately $1.7 billion in developed markets); and
  - the contribution from the collaboration with Mylan Inc. to market generic drugs in Japan.

  Total GEP revenues from emerging markets were $7.4 billion in 2013.
- *Cost of sales* as a percentage of *Revenues* increased 2% in 2013 compared to 2012, due to the impact of product losses of exclusivity and an unfavorable change in product mix.
- *Selling, informational and administrative expenses* decreased 18% in 2013, compared to 2012, due to lower expenses for field force and marketing expenses, reflecting the benefits of cost-reduction and productivity initiatives.
- *Research and development expenses* decreased 17% in 2013 compared to 2012, due to lower clinical trial expenses and the benefits from cost-reduction and productivity initiatives.
- The favorable change in *Other (income)/deductions—net* in 2013 primarily reflects income derived from the sale of product rights.

ANALYSIS OF THE CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

Changes in the components of *Accumulated other comprehensive loss* reflect the following:

2014

- For *Foreign currency translation adjustments*, reflects primarily the weakening of the euro against the U.S dollar, and, to a lesser, extent the weakening of the Japanese yen, Canadian dollar, Brazilian real and U.K. pound against the U.S dollar. Also, includes the reclassification of amounts associated with legal entity dispositions into income.
- For *Unrealized holding gains on derivative financial instruments*, *net* reflects the impact of fair value remeasurements and the reclassification of realized amounts into income. For additional information, see Notes to Consolidated Financial Statements—*Note 7. Financial Instruments*.
- For *Unrealized holding gains/(losses) on available-for-sale securities*, *net* reflects the impact of fair value remeasurements and the reclassification of realized amounts into income. For additional information, see Notes to Consolidated Financial Statements—*Note 7. Financial Instruments*.
- For *Benefit plans: actuarial gains/(losses), net,* reflects the actuarial losses related primarily to a decrease in the discount rate. For additional information, see Notes to Consolidated Financial Statements—*Note 11. Pension and Postretirement Benefit Plans and Defined Contribution Plans*.
- For *Benefit plans: prior service credits and other, net,* reflects an amendment to our post-retirement plans that decreased the benefit obligation by transferring certain plan participants to a retiree drug coverage program eligible for a Medicare Part D plan subsidy. For additional information, see Notes to Consolidated Financial Statements —*Note 11. Pension and Postretirement Benefit Plans and Defined Contribution Plans*.

2013

- For *Foreign currency translation adjustments*, reflects the weakening of several currencies against the U.S. dollar, primarily the Japanese yen, the Australian dollar, the Canadian dollar and the Brazilian real, partially offset by the strengthening of several currencies against the

U.S. dollar, primarily the euro and to a lesser extent the U.K. pound, as well as the reclassification of amounts associated with dispositions into income.

- For *Unrealized holding gains on derivative financial instruments, net* reflects the impact of fair value remeasurements and the reclassification of realized gains into income. For additional information, see Notes to Consolidated Financial Statements—*Note 7. Financial Instruments*.
- For *Unrealized holding gains/(losses) on available-for-sale securities, net* reflects the impact of fair value remeasurements and the reclassification of realized gains into income. For additional information, see Notes to Consolidated Financial Statements—*Note 7. Financial Instruments*.
- For *Benefit plans: actuarial gains/(losses), net*, reflects the impact of actuarial gains (due to an increase in the discount rate and higher than expected returns on plan assets) and the reclassification of certain amounts related to amortization and curtailments/settlements into income. For additional information, see Notes to Consolidated Financial Statements—*Note 11. Pension and Postretirement Benefit Plans and Defined Contribution Plans* and the "Significant Accounting Policies and Application of Critical Accounting Estimates—Benefit Plans" section of this Financial Review.

2012

- For *Foreign currency translation adjustments*, reflects the weakening of several currencies against the U.S. dollar, primarily the euro, the Japanese yen, the Australian dollar and the Brazilian real, and the reclassification of amounts associated with dispositions into income.
- For *Unrealized holding gains on derivative financial instruments, net* reflects the impact of fair value remeasurements and the reclassification of realized gains into income. See also Notes to Consolidated Financial Statements—*Note 7. Financial Instruments*.
- For *Unrealized holding gains/(losses) on available-for-sale securities, net* reflects the impact of fair value remeasurements and the reclassification of realized losses into income. For additional information, see Notes to Consolidated Financial Statements—*Note 7. Financial Instruments*.
- For *Benefit plans: actuarial gains/(losses), net*, reflects the impact of actuarial losses (due to a decrease in the discount rate, partially offset by higher-than-expected returns on plan assets) and the reclassification of certain amounts related to amortization and curtailments/settlements into income. See also Notes to Consolidated Financial Statements—*Note 11. Pension and Postretirement Benefit Plans and Defined Contribution Plans*.

ANALYSIS OF THE CONSOLIDATED BALANCE SHEETS

For information about certain of our financial assets and liabilities, including *Cash and cash equivalents, Short-term investments, Long-term investments, Short-term borrowings, including current portion of long-term debt*, and *Long-term debt*, see "Analysis of the Consolidated Statements of Cash Flows" section of this Financial Review, the "Analysis of Financial Condition, Liquidity and Capital Resources: Selected Measures of Liquidity and Capital Resources" section of this Financial Review and Notes to Consolidated Financial Statements—*Note 7. Financial Instruments*.

For information about certain balances in *Accounts receivable, less allowance for doubtful accounts,* see also the "Analysis of Financial Condition, Liquidity and Capital Resources: Selected Measures of Liquidity and Capital Resources: Accounts Receivable" section of this Financial Review.

For information about our tax accounts, including *Current deferred tax assets and other current tax assets, Noncurrent deferred tax assets and other noncurrent tax assets, Noncurrent deferred tax liabilities and Other taxes payable*, see Notes to Consolidated Financial Statements—*Note 5. Tax Matters*.

For a description of changes in *Total Equity*, see the consolidated statements of equity.

All of the changes in our asset and liability accounts as of December 31, 2014, compared to December 31, 2013, generally reflect, among other things, decreases due to changes in foreign currency exchange rates, some of which impacts were significant. The following explanations exclude the impact of foreign exchange.

- For *Accounts receivable, less allowance for doubtful accounts,* the change also reflects the timing of sales and collections in the normal course of business.
- For *Inventories,* the change also reflects planned inventory reductions, partially offset by inventory builds in advance of plant shutdowns/product transfers and new product launches.
- For *Other current assets,* the change also reflects the receipt of the remaining portion of the Protonix patent litigation settlement income recognized in 2013, and other receipts in the normal course of business, partially offset by an increase in receivables associated with our derivative financial instruments.
- For *Property, plant and equipment, less accumulated depreciation,* the change also reflects depreciation, partially offset by capital additions.
- For *Identifiable intangible assets, less accumulated amortization*, the change reflects amortization and, to a much lesser extent, asset impairment charges, partially offset by assets acquired as part of the InnoPharma acquisition,the Nexium OTC milestones and other asset acquisitions. For additional information about our intangible assets, see Notes to Consolidated Financial Statements—*Note 10A. Identifiable Intangible Assets and Goodwill: Identifiable Intangible Assets*. For additional information about the asset impairment charges, see *Notes to Consolidated Financial Statements—Note 4. Other (Income)/Deductions—Net*. For additional information about the assets

acquired as part of the InnoPharma acquisition and the Nexium OTC milestones, see Notes to Consolidated Financial Statements—*Note 2. Acquisitions, Licensing Agreements, Collaborative Arrangements, Divestitures, and Equity-Method Investments*.

- For *Goodwill,* the change also reflects the goodwill associated with the acquisition of InnoPharma. For additional information about the acquisition of InnoPharma, see Notes to Consolidated Financial Statements—*Note 2. Acquisitions, Licensing Agreements, Collaborative Arrangements, Divestitures, and Equity-Method Investments*.
- For *Other noncurrent assets,* the change also reflects a decrease in the receivables associated with our derivative financial instruments.
- For *Other current liabilities*, the change also reflects payments of our restructuring liabilities, a decrease in the payables associated with our derivative financial instruments, as well as the timing of other payments and accruals in the normal course of business, partially offset by an increase in legal related liabilities and the accrual of the additional Branded Prescription Drug Fee, not yet paid. For additional information about the Branded Prescription Drug Fee accruals, see the "Our Operating Environment" section of this Financial Review.
- For *Pension benefit obligations, net* and *Postretirement benefit obligations, net*, the change reflects, among other things, a decrease in our discount rate assumptions used in the measurement of the plan obligations, as well as the impact of revised mortality assumptions. For additional information, see Notes to Consolidated Financial Statements—*Note 11. Pension and Postretirement Benefit Plans and Defined Contribution Plans.*
- For *Other noncurrent liabilities*, the change also reflects an increase related to the liability in respect of the Xalkori co-promotion rights given to Merck KGaA and an increase in the noncurrent payables associated with our derivative financial instruments, partially offset by a decrease in our non-current restructuring accruals. For additional information about the Xalkori co-promotion rights, see Notes to Consolidated Financial Statements—*Note 2. Acquisitions, Licensing Agreements, Collaborative Arrangements, Divestitures, and Equity-Method Investments*.

ANALYSIS OF THE CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year Ended December 31,			% Change	
(MILLIONS OF DOLLARS)	**2014**	2013	2012	**14/13**	13/12
Cash provided by/(used in):					
Operating activities	**$ 16,883**	$ 17,684	$ 16,746	**(5)**	6
Investing activities	**(5,654)**	(10,544)	6,154	**(46)**	*
Financing activities	**(9,986)**	(14,975)	(15,999)	**(33)**	(6)
Effect of exchange-rate changes on cash and cash equivalents	**(83)**	(63)	(2)	**32**	*
Net increase/(decrease) in *Cash and cash equivalents*	**$ 1,160**	$ (7,898)	$ 6,899	*	*

* Calculation not meaningful.

In the consolidated statements of cash flows, the *Other changes in assets and liabilities, net of acquisitions and divestitures*, are presented excluding the effects of changes in foreign currency exchange rates, as these changes do not reflect actual cash inflows or outflows, and excluding any other significant non-cash movements. Accordingly, the amounts shown will not necessarily agree with the changes in the assets and liabilities that are presented in our consolidated balance sheets.

Operating Activities

2014 v. 2013

Our net cash provided by operating activities was $16.9 billion in 2014, compared to $17.7 billion in 2013. The decrease in net cash provided by operating activities reflects operating earnings impacted by the timing of receipts and payments in the ordinary course of business, as well as the upfront cash payment of $850 million in connection with our collaborative arrangement with Merck KGaA. For additional information, see Notes to Consolidated Financial Statements—*Note 2C. Acquisitions, Licensing Agreements, Collaborative Arrangements, Divestitures, and Equity-Method Investments: Collaborative Arrangements*.

In 2014, the change in the line item called *Other adjustments, net,* primarily reflects the non-cash changes in the estimated loss on the Teuto call/put option. For additional information, see Notes to Consolidated Financial Statements—*Note 2E. Acquisitions, Licensing Agreements, Collaborative Arrangements, Divestitures, and Equity-Method Investments: Equity-Method Investments*.

2013 v. 2012

Our net cash provided by operating activities was $17.7 billion in 2013, compared to $16.7 billion in 2012. The increase in net cash provided by operating activities reflects the timing of receipts and payments in the ordinary course of business, including the receipt in 2013 of a portion of the Protonix patent litigation settlement income and payments against legal accruals (see Notes to Consolidated Financial Statements—*Note 4. Other (Income)/Deductions—Net*).

Investing Activities

2014 v. 2013

Our net cash used in investing activities was $5.7 billion in 2014, compared to $10.5 billion in 2013. The decrease in net cash used by investing activities was primarily attributable to:

- net purchases of investments of $4.2 billion in 2014, compared to $9.4 billion in 2013,

partially offset by:

- cash paid of $195 million, net of cash acquired, for the acquisition of InnoPharma in 2014.

2013 v. 2012

Our net cash used in investing activities was $10.5 billion in 2013, compared to net cash provided by investing activities of $6.2 billion in 2012. The increase in net cash used in investing activities was primarily attributable to:

- the nonrecurrence of net proceeds received on November 30, 2012 from the sale of our Nutrition business of $11.85 billion (see Notes to Consolidated Financial Statements—*Note 2D. Acquisitions, Licensing Agreements, Collaborative Arrangements, Divestitures, and Equity-Method Investments: Divestitures*); and
- net purchases of investments of $9.4 billion in 2013, compared to net purchases of investments of $3.4 billion in 2012,

partially offset by:

- cash paid of $1.1 billion, net of cash acquired, for our acquisitions of Alacer, Ferrosan and NextWave in 2012 (see Notes to Consolidated Financial Statements—*Note 2A. Acquisitions, Licensing Agreements, Collaborative Arrangements, Divestitures, and Equity-Method Investments: Acquisitions)*.

Financing Activities

2014 v. 2013

Our net cash used in financing activities was $10.0 billion in 2014, compared to $15.0 billion in 2013. The decrease in net cash used in financing activities was primarily attributable to:

- purchases of common stock of $5.0 billion in 2014, compared to $16.3 billion in 2013,

partially offset by:

- net proceeds from borrowings of $548 million in 2014, compared to net proceeds from borrowings of $6.0 billion in 2013; and
- proceeds from the exercise of stock options of $1.0 billion in 2014, compared to $1.8 billion in 2013.

2013 v. 2012

Our net cash used in financing activities was $15.0 billion in 2013, compared to $16.0 billion in 2012. The decrease in net cash used in financing activities was primarily attributable to:

- net proceeds from borrowings of $6.0 billion in 2013, compared to net repayments of borrowings of $1.7 billion in 2012; and
- proceeds from the exercise of stock options of $1.8 billion in 2013 compared to $0.6 billion in 2012,

partially offset by:

- purchases of common stock of $16.3 billion in 2013, compared to $8.2 billion in 2012.

Supplemental Schedule of Non-Cash Investing and Financing Information

In 2013, we had the following non-cash transactions:

- we sold Zoetis common stock for Pfizer common stock valued at $11.4 billion;
- we exchanged Zoetis common stock for the retirement of Pfizer commercial paper issued in 2013 for $2.5 billion;
- we exchanged Zoetis senior notes for the retirement of Pfizer commercial paper issued in 2012 for $1.0 billion;
- we transferred certain product rights, valued at $1.2 billion, to an equity-method investment (Hisun Pfizer); and
- we contributed an investment, valued at $447 million, in connection with the resolution of a legal matter (Quigley).

Zoetis is our former Animal Health business. For further details on Zoetis-related transactions, see Notes to Consolidated Financial Statements—*Note 2D. Acquisitions, Licensing Agreements, Collaborative Arrangements, Divestitures, and Equity-Method Investments: Divestitures*. For further details on the transfer of certain product rights, see Notes to Consolidated Financial Statements—*Note 2E. Acquisitions, Licensing Agreements, Collaborative Arrangements, Divestitures, and Equity-Method Investments: Equity-Method Investments*.

ANALYSIS OF FINANCIAL CONDITION, LIQUIDITY AND CAPITAL RESOURCES

We rely largely on operating cash flows, short-term investments, short-term commercial paper borrowings and long-term debt to provide for our liquidity requirements. Due to our significant operating cash flows as well as our financial assets, access to capital markets and available lines of credit and revolving credit agreements, we believe that we have, and will maintain, the ability to meet our liquidity needs for the foreseeable future, which include:

- the working capital requirements of our operations, including our research and development activities;
- investments in our business;
- dividend payments and potential increases in the dividend rate;
- share repurchases;
- the cash requirements associated with our cost-reduction/productivity initiatives;
- paying down outstanding debt;
- contributions to our pension and postretirement plans; and
- business-development activities.

For additional information about our share-purchase plans, see the "Share-Purchase Plans" section of this Financial Review.

Our long-term debt is rated high-quality by both Standard & Poor's (S&P) and Moody's Investors Service (Moody's). See the "Credit Ratings" section below. As market conditions change, we continue to monitor our liquidity position. We have taken and will continue to take a conservative approach to our financial investments. Both short-term and long-term investments consist primarily of high-quality, highly liquid, well-diversified and available-for-sale debt securities.

Selected Measures of Liquidity and Capital Resources

The following table provides certain relevant measures of our liquidity and capital resources:

	As of December 31,	
(MILLIONS OF DOLLARS, EXCEPT RATIOS AND PER COMMON SHARE DATA)	**2014**	2013
Selected financial assets:		
Cash and cash equivalents[a]	**$ 3,343**	$ 2,183
Short-term investments[a]	**32,779**	30,225
Long-term investments[a]	**17,518**	16,406
	53,640	48,814
Debt:		
Short-term borrowings, including current portion of long-term debt	**5,141**	6,027
Long-term debt	**31,541**	30,462
	36,682	36,489
Net financial assets[b]	**$ 16,958**	$ 12,325
Working capital	**$ 36,071**	$ 32,878
Ratio of current assets to current liabilities	**2.67:1**	2.41:1
Total Pfizer Inc. shareholders' equity per common share[c]	**$ 11.33**	$ 11.93

[a] See Notes to Consolidated Financial Statements—*Note 7. Financial Instruments* for a description of certain assets held and for a description of credit risk related to our financial instruments held.
[b] Net financial assets increased during 2014 as net cash provided by operating activities and the proceeds from the exercise of stock options, among other things, more than offset dividend payments, share purchases, and capital investments. For additional information, see the "Analysis of the Consolidated Statements of Cash Flows" section of this Financial Review.
[c] Represents total Pfizer Inc. shareholders' equity divided by the actual number of common shares outstanding (which excludes treasury shares).

For additional information about the sources and uses of our funds, see the "Analysis of the Consolidated Balance Sheets" and "Analysis of the Consolidated Statements of Cash Flows" sections of this Financial Review.

On May 15, 2014, we completed a public offering of $4.5 billion aggregate principal amount of senior unsecured notes (see Notes to Consolidated Financial Statements—*Note 7D. Financial Instruments: Long-Term Debt*).

On June 3, 2013, we completed a public offering of $4.0 billion aggregate principal amount of senior unsecured notes. In addition, we repaid at maturity our 3.625% senior unsecured notes that were due June 2013, which had a balance of $2.4 billion at December 31, 2012, and, in December 2013, we redeemed the aggregate principal amount of $1.8 billion of our 5.50% senior unsecured notes that were due in February 2014.

Subsequent Event

On February 5, 2015, we announced that we have entered into a definitive merger agreement under which we agreed to acquire Hospira, the world's leading provider of injectable drugs and infusion technologies and a global leader in biosimilars, for $90 per share in cash, for a total enterprise value of approximately $17 billion. We expect to finance the transaction through a combination of existing cash and new debt, with approximately two-thirds of the value financed from cash and one-third from debt. For additional information, see Notes to Consolidated Financial Statements—*Note 19. Subsequent Events*.

Domestic and International Short-Term Funds

Many of our operations are conducted outside the U.S., and significant portions of our cash, cash equivalents and short-term investments are held internationally. We generally hold up to $10 billion of our short-term funds in U.S. tax jurisdictions. The amount of funds held in U.S. tax jurisdictions can fluctuate due to the timing of receipts and payments in the ordinary course of business and due to other reasons, such as business-development activities. As part of our ongoing liquidity assessments, we regularly monitor the mix of domestic and international cash flows (both inflows and outflows). Repatriation of overseas funds can result in additional U.S. federal, state and local income tax payments. We record U.S. deferred tax liabilities for certain unremitted earnings, but when amounts earned overseas are expected to be indefinitely reinvested outside the U.S., no accrual for U.S. taxes is provided.

Accounts Receivable

We continue to monitor developments regarding government and government agency receivables in several European markets where economic conditions remain challenging and uncertain. Historically, payments from a number of these European governments and government agencies extend beyond the contractual terms of sale. There have been some improvements in the amount of outstanding accounts receivable balances in excess of one year.

We believe that our allowance for doubtful accounts is appropriate. Our assessment is based on an analysis of the following: (i) payments received to date; (ii) the consistency of payments from customers; (iii) direct and observed interactions with the governments (including court petitions) and with market participants (for example, the factoring industry); and (iv) various third-party assessments of repayment risk (for example, rating agency publications and the movement of rates for credit default swap instruments).

As of December 31, 2014, we had about $814 million in aggregate gross accounts receivable from governments and/or government agencies in Italy, Spain, Portugal and Greece where economic conditions remain challenging and uncertain. Such receivables in excess of one year from the invoice date, totaling $96 million, were as follows: $36 million in Italy; $25 million in Spain; $24 million in Portugal; and $11 million in Greece.

Although certain European governments and government agencies sometimes delay payments beyond the contractual terms of sale, we seek to appropriately balance repayment risk with the desire to maintain good relationships with our customers and to ensure a humanitarian approach to local patient needs.

We will continue to closely monitor repayment risk and, when necessary, we will continue to adjust our allowance for doubtful accounts.

Our assessments about the recoverability of accounts receivables can result from a complex series of judgments about future events and uncertainties and can rely heavily on estimates and assumptions. For information about the risks associated with estimates and assumptions, see Notes to Consolidated Financial Statements—*Note 1C. Basis of Presentation and Significant Accounting Policies: Estimates and Assumptions*.

Credit Ratings

Two major corporate debt-rating organizations, Moody's and S&P, assign ratings to our short-term and long-term debt. A security rating is not a recommendation to buy, sell or hold securities and the rating is subject to revision or withdrawal at any time by the rating organization. Each rating should be evaluated independently of any other rating.

The following table provides the current ratings assigned by these rating agencies to our commercial paper and senior unsecured non-credit-enhanced long-term debt:

	Pfizer Commercial Paper	Pfizer Long-Term Debt		Date of Last Rating
NAME OF RATING AGENCY	Rating	Rating	Outlook	Change
Moody's	P-1	A1	Stable	October 2009
S&P	A-1+	AA	Stable	October 2009

See also "Subsequent Event" above.

Debt Capacity

We have available lines of credit and revolving credit agreements with a group of banks and other financial intermediaries. We maintain cash and cash equivalent balances and short-term investments in excess of our commercial paper and other short-term borrowings. As of December 31, 2014, we had access to $8.4 billion of lines of credit, of which $822 million expire within one year. Of these lines of credit, $8.1 billion are unused, of which our lenders have committed to loan us $7.1 billion at our request. Also, $7.0 billion of our unused lines of credit, all of which expire in 2019, may be used to support our commercial paper borrowings.

See also "Subsequent Event" above.

Global Economic Conditions—General

The global economic environment has not had, nor do we anticipate it will have, a material impact on our liquidity or capital resources. Due to our significant operating cash flows, financial assets, access to capital markets and available lines of credit and revolving credit agreements, we continue to believe that we have, and will maintain, the ability to meet our liquidity needs for the foreseeable future. As markets conditions change, we continue to monitor our liquidity position.

Global Economic Conditions—Venezuela Operations

Our Venezuela operations continue to operate with the U.S. dollar as the functional currency due to the hyperinflationary status of the Venezuelan economy.

On February 13, 2013, the Venezuelan government devalued its currency from a rate of 4.3 to 6.3 of Venezuelan currency to the U.S. dollar. We incurred a foreign currency loss of $80 million immediately on the devaluation as a result of remeasuring the local balance sheets, and have experienced and expect to continue to experience adverse impacts to our earnings as our revenues and expenses in Venezuela continue to be translated into U.S. dollars at the lower 6.3 rate.

In the first quarter of 2014, the Venezuelan government expanded the number of exchange mechanisms, such that there are now three official rates of exchange. As of December 31, 2014, these were the CENCOEX rate of 6.3; as of November 3, 2014, the SICAD I rate at approximately 12 (the last reported SICAD I rate); and, as of December 31, 2014, the SICAD II rate at approximately 50. On February 10, 2015, the Venezuelan government announced a new exchange mechanism, the SIMADI, and the unification of the SICAD I and SICAD II mechanisms, but with no reported exchanges to date. On February 12, 2015, the SIMADI rate was 170 and has approximated that amount since then.

We continue to use the CENCOEX rate of 6.3 to report our Venezuela financial position, results of operations and cash flows, since we believe that the nature of our business operations in Venezuela (the importation, manufacture and distribution of pharmaceutical products and, to a lesser extent, consumer healthcare goods) would qualify for the most preferential rates permitted by law.

We cannot predict whether there will be further devaluations of the Venezuelan currency or whether our use of the 6.3 rate will continue to be supported by evolving facts and circumstances. Further, other potential actions by the Venezuelan government in response to economic uncertainties could impact the recoverability of our investment in Venezuela, which could result in an impairment charge and, under extreme circumstances, could impact our ability to continue to operate in the country in the same manner as we have historically.

As of December 31, 2014, our net monetary assets in Venezuela that are subject to revaluation totaled approximately $510 million (remeasured at the 6.3 rate). During 2014, our *Revenues* from Venezuela totaled approximately $716 million (converted using the 6.3 rate). These amounts may grow in the future.

Contractual Obligations

Payments due under contractual obligations as of December 31, 2014, mature as follows:

		Years			
(MILLIONS OF DOLLARS)	Total	2015	2016-2017	2018-2019	Thereafter
Long-term debt, including current portion[a]	$ 34,552	$ 3,011	$ 7,953	$ 7,170	$ 16,418
Interest payments on long-term debt obligations[b]	16,882	1,308	2,424	2,030	11,119
Other long-term liabilities[c]	3,759	459	798	795	1,707
Lease commitments[d]	1,482	185	313	203	781
Purchase obligations and other[e]	4,087	1,102	1,169	657	1,159
Uncertain tax positions[f]	54	54	—	—	—

[a] Long-term debt consists of senior unsecured notes, including fixed and floating rate, foreign currency denominated, and other notes.

[b] Our calculations of expected interest payments incorporate only current period assumptions for interest rates, foreign currency translation rates and hedging strategies (see Notes to Consolidated Financial Statements—*Note 7. Financial Instruments*), and assume that interest is accrued through the maturity date or expiration of the related instrument.

[c] Includes expected payments relating to our unfunded U.S. supplemental (non-qualified) pension plans, postretirement plans and deferred compensation plans. Excludes amounts relating to our U.S. qualified pension plans and international pension plans, all of which have a substantial amount of plan assets, because

the required funding obligations are not expected to be material and/or because such liabilities do not necessarily reflect future cash payments, as the impact of changes in economic conditions on the fair value of the pension plan assets and/or liabilities can be significant; note that we currently anticipate contributing approximately $1.2 billion to these plans in 2015, inclusive of a $1.0 billion voluntary contribution in January. Also, excludes $4.0 billion of liabilities related to legal matters, employee terminations and the fair value of derivative financial instruments and other, most of which do not represent contractual obligations. See also our liquidity discussion above in this "Analysis of Financial Condition, Liquidity and Capital Resources" section, as well as the Notes to Consolidated Financial Statements—*Note 3. Restructuring Charges and Other Costs Associated with Acquisitions and Cost-Reduction/Productivity Initiatives, Note 7A. Financial Instruments: Selected Financial Assets and Liabilities, Note 11E. Pension and Postretirement Benefit Plans and Defined Contribution Plans: Cash Flows,* and *Note 17. Commitments and Contingencies.*

(d) Includes operating and capital lease obligations.

(e) Includes agreements to purchase goods and services that are enforceable and legally binding and includes amounts relating to advertising, information technology services, employee benefit administration services, and potential milestone payments deemed reasonably likely to occur.

(f) Includes only income tax amounts currently payable. We are unable to predict the timing of tax settlements related to our noncurrent obligations for uncertain tax positions as tax audits can involve complex issues and the resolution of those issues may span multiple years, particularly if subject to negotiation or litigation.

The above table includes amounts for potential milestone payments under collaboration, licensing or other arrangements, if the payments are deemed reasonably likely to occur. Payments under these agreements generally become due and payable only upon the achievement of certain development, regulatory and/or commercialization milestones, which may span several years and which may never occur.

In 2015, we expect to spend approximately $1.4 billion on property, plant and equipment. Planned capital spending mostly represents investment to maintain existing facilities and capacity. We rely largely on operating cash flows to fund our capital investment needs. Due to our significant operating cash flows, we believe we have the ability to meet our capital investment needs and anticipate no delays to planned capital expenditures.

See also "Subsequent Event" above.

Off-Balance Sheet Arrangements

In the ordinary course of business and in connection with the sale of assets and businesses, we often indemnify our counterparties against certain liabilities that may arise in connection with a transaction or that are related to activities prior to a transaction. These indemnifications typically pertain to environmental, tax, employee and/or product-related matters, and patent-infringement claims. If the indemnified party were to make a successful claim pursuant to the terms of the indemnification, we would be required to reimburse the loss. These indemnifications generally are subject to threshold amounts, specified claim periods and other restrictions and limitations. Historically, we have not paid significant amounts under these provisions and, as of December 31, 2014, recorded amounts for the estimated fair value of these indemnifications were not significant.

Certain of our co-promotion or license agreements give our licensors or partners the rights to negotiate for, or in some cases to obtain under certain financial conditions, co-promotion or other rights in specified countries with respect to certain of our products.

Share-Purchase Plans

Our December 2011 $10 billion share-purchase plan was exhausted in the first quarter of 2013. Our November 2012 $10 billion share-purchase plan was exhausted in the fourth quarter of 2013. On June 27, 2013, we announced that the Board of Directors had authorized an additional $10 billion share-purchase plan, and share purchases commenced thereunder in October 2013. On October 23, 2014, we announced that the Board of Directors had authorized an additional $11 billion share-purchase plan.

The following table provides the number of shares of our common stock purchased and the cost of purchases under our publicly announced share-purchase plans:

(SHARES IN MILLIONS, DOLLARS IN BILLIONS)	**2014**	2013	2012
Shares of common stock purchased	**165**	563	349
Cost of purchase	**$ 5.0**	$ 16.3	$ 8.2

After giving effect to share purchases through year-end 2014, our remaining share-purchase authorization was approximately $11.5 billion at December 31, 2014.

On February 9, 2015, we entered into an accelerated share repurchase agreement with Goldman, Sachs & Co. to repurchase $5 billion of our common stock. This agreement was entered into pursuant to our previously announced share repurchase authorization. For additional information, see Notes to Consolidated Financial Statements—*Note 19. Subsequent Events.*

Dividends on Common Stock

We paid dividends on our common stock of $6.6 billion in 2014, $6.6 billion in 2013 and $6.5 billion in 2012. In December 2014, our Board of Directors declared a first-quarter 2015 dividend of $0.28 per share, payable on March 3, 2015, to shareholders of record at the close of business on February 6, 2015. The first-quarter 2015 cash dividend will be our 305th consecutive quarterly dividend.

Our current and projected dividends provide a return to shareholders while maintaining sufficient capital to invest in growing our businesses and to seek to increase shareholder value. Our dividends are not restricted by debt covenants. While the dividend level remains a decision of Pfizer's Board of Directors and will continue to be evaluated in the context of future business performance, we currently believe that we can support future annual dividend increases, barring significant unforeseen events.

NEW ACCOUNTING STANDARDS

Recently Adopted Accounting Standard

See Notes to Consolidated Financial Statements—*Note 1B. Basis of Presentation and Significant Accounting Policies: Adoption of New Accounting Standards*.

Recently Issued Accounting Standards, Not Adopted as of December 31, 2014

The following table provides a brief description of recently issued accounting standards, not yet adopted:

Standard	Description	Effective Date	Effect on the Financial Statements or Other Significant Matters
In April 2014, the FASB issued amended guidance related to **discontinued operations**.	The new guidance limits the presentation of discontinued operations to business circumstances when the disposal of the business operation represents a strategic shift that has had or will have a major effect on our operations and financial results.	January 1, 2015.	As required, we will adopt the new provisions on a prospective basis only and we do not expect that the provisions of this new standard will have a significant impact on our consolidated financial statements.
In November 2014, FASB issued amended guidance related to accounting for **hybrid financial instruments** issued or held as investments.	The new guidance clarifies that for hybrid financial instruments in the form of stock, the assessment of whether the embedded derivative is clearly and closely related to the host instrument must consider the economic characteristics and risks of the entire hybrid financial instrument, including the embedded derivative feature that is being evaluated for separate accounting from the host contract.	January 1, 2016	We do not expect that the provisions of this new standard will have any material impact on our consolidated financial statements.
In August 2014, the FASB issued amended guidance related to disclosure of uncertainties about the ability of an entity to continue as a **going concern**.	The new guidance requires management of all entities to evaluate whether there is substantial doubt about the entity's ability to continue as a going concern and, as necessary, to provide related footnote disclosures.	December 31, 2016	We do not expect that the provisions of this new standard will have any impact on our consolidated financial statements.
In May 2014, the FASB issued amended guidance related to **revenue from contracts with customers**.	The new guidance introduces a new principles-based framework for revenue recognition and disclosure.	January 1, 2017. Early adoption is not permitted.	We have not yet decided on a method of adoption (full retrospective or modified retrospective basis) and we have not yet determined the potential impact, if any, of this standard on our consolidated financial statements.

FORWARD-LOOKING INFORMATION AND FACTORS THAT MAY AFFECT FUTURE RESULTS

This report and other written or oral statements that we make from time to time contain forward-looking statements that set forth anticipated results based on management's plans and assumptions. Such forward-looking statements involve substantial risks and uncertainties. We have tried, wherever possible, to identify such statements by using words such as "will," "may," "could," "likely," "ongoing," "anticipate," "estimate," "expect," "project," "intend," "plan," "believe," "target," "forecast," "goal", "objective", "aim" and other words and terms of similar meaning or by using future dates in connection with any discussion of, among other things, our anticipated future operating or financial performance, business plans and prospects, in-line products and product candidates, strategic reviews, capital allocation, business-development plans, and plans relating to share repurchases and dividends. In particular, these include statements relating to future actions, business plans and prospects, our recently-announced proposed acquisition of Hospira, prospective products or product approvals, future performance or results of current and anticipated products, sales efforts, expenses, interest rates, foreign exchange rates, the outcome of contingencies, such as legal proceedings, plans relating to share repurchases and dividends, government regulation and financial results, including, in particular, the financial guidance set forth in the "Our Financial Guidance for 2015" section of this Financial Review, the anticipated costs and cost savings set forth in the "Restructuring Charges and Other Costs Associated with Acquisitions and Cost-Reduction/Productivity Initiatives" section of this Financial Review and in Notes to Consolidated Financial Statements—*Note 3. Restructuring Charges and Other Costs Associated with Acquisitions and Cost-Reduction/Productivity Initiatives*, the planned capital spending set forth in the "Contractual Obligations" section of this Financial Review and the contributions that we expect to make from our general assets to the Company's pension and postretirement plans during 2015 set forth in the "Contractual Obligations" section of this Financial Review and in Notes to Consolidated Financial Statements—*Note 11. Pension and Postretirement Benefit Plans and Defined Contribution Plans*. Among the factors that could cause actual results to differ materially from past results and future plans and projected future results are the following:

- the outcome of research and development activities including, without limitation, the ability to meet anticipated clinical trial commencement and completion dates, regulatory submission and approval dates, and launch dates for product candidates, as well as the possibility of unfavorable clinical trial results, including unfavorable new clinical data and additional analyses of existing clinical data;
- decisions by regulatory authorities regarding whether and when to approve our drug applications, which will depend on the assessment by such regulatory authorities of the benefit-risk profile suggested by the totality of the efficacy and safety information submitted; and decisions by regulatory authorities, regarding labeling, ingredients and other matters that could affect the availability or commercial potential of our products;
- the speed with which regulatory authorizations, pricing approvals and product launches may be achieved;
- the outcome of post-approval clinical trials, which could result in the loss of marketing approval for a product or changes in the labeling for, and/or increased or new concerns about the safety or efficacy of, a product that could affect its availability or commercial potential;
- risks associated with interim data, including the risk that final results of studies for which interim data has been provided and/or additional clinical trials may be different from (including less favorable than) the interim data results and may not support further clinical development of the applicable product candidate or indication;
- the success of external business-development activities, including the ability to satisfy the conditions to closing of announced transactions in the anticipated timeframe or at all, including our and Hospira's ability to satisfy the conditions to closing our merger agreement;
- competitive developments, including the impact on our competitive position of new product entrants, in-line branded products, generic products, private label products and product candidates that treat diseases and conditions similar to those treated by our in-line drugs and drug candidates;
- the implementation by the FDA of an abbreviated legal pathway to approve biosimilar products, which could subject our biologic products to competition from biosimilar products in the U.S., with attendant competitive pressures, after the expiration of any applicable exclusivity period and patent rights;
- the ability to meet generic and branded competition after the loss of patent protection for our products or competitor products;
- the ability to successfully market both new and existing products domestically and internationally;
- difficulties or delays in manufacturing;
- trade buying patterns;
- the impact of existing and future legislation and regulatory provisions on product exclusivity;
- trends toward managed care and healthcare cost containment;
- the impact of any significant spending reductions affecting Medicare, Medicaid or other publicly funded or subsidized health programs or changes in the tax treatment of employer-sponsored health insurance that may be implemented and/or any significant additional taxes or fees that may be imposed on the pharmaceutical industry as part of any broad deficit-reduction effort;
- the impact of U.S. healthcare legislation enacted in 2010—the Patient Protection and Affordable Care Act, as amended by the Health Care and Education Reconciliation Act—and of any modification or repeal of any of the provisions thereof;
- U.S. federal or state legislation or regulatory action affecting, among other things, pharmaceutical product pricing, reimbursement or access, including under Medicaid, Medicare and other publicly funded or subsidized health programs; the importation of prescription drugs from outside the U.S. at prices that are regulated by governments of various foreign countries; direct-to-consumer advertising and interactions with healthcare professionals; and the use of comparative effectiveness

methodologies that could be implemented in a manner that focuses primarily on the cost differences and minimizes the therapeutic differences among pharmaceutical products and restricts access to innovative medicines; as well as pricing pressures as a result of highly competitive insurance markets;

- legislation or regulatory action in markets outside the U.S. affecting pharmaceutical product pricing, reimbursement or access, including, in particular, continued government-mandated price reductions for certain biopharmaceutical products and government-imposed access restrictions in certain countries;
- the exposure of our operations outside the U.S. to possible capital and exchange controls, expropriation and other restrictive government actions, changes in intellectual property legal protections and remedies, as well as political unrest and unstable governments and legal systems;
- contingencies related to actual or alleged environmental contamination;
- claims and concerns that may arise regarding the safety or efficacy of in-line products and product candidates;
- any significant breakdown, infiltration or interruption of our information technology systems and infrastructure;
- legal defense costs, insurance expenses, settlement costs, the risk of an adverse decision or settlement and the adequacy of reserves related to product liability, patent protection, government investigations, consumer, commercial, securities, antitrust, environmental and tax issues, ongoing efforts to explore various means for resolving asbestos litigation, and other legal proceedings;
- our ability to protect our patents and other intellectual property, both domestically and internationally;
- interest rate and foreign currency exchange rate fluctuations, including the impact of possible currency devaluations in countries experiencing high inflation rates;
- governmental laws and regulations affecting domestic and foreign operations, including, without limitation, tax obligations and changes affecting the tax treatment by the U.S. of income earned outside the U.S. that may result from pending and possible future proposals;
- any significant issues involving our largest wholesaler customers, which account for a substantial portion of our revenues;
- the possible impact of the increased presence of counterfeit medicines in the pharmaceutical supply chain on our revenues and on patient confidence in the integrity of our medicines;
- any significant issues that may arise related to the outsourcing of certain operational and staff functions to third parties, including with regard to quality, timeliness and compliance with applicable legal requirements and industry standards;
- any significant issues that may arise related to our joint ventures and other third-party business arrangements;
- changes in U.S. generally accepted accounting principles;
- uncertainties related to general economic, political, business, industry, regulatory and market conditions including, without limitation, uncertainties related to the impact on us, our customers, suppliers and lenders and counterparties to our foreign-exchange and interest-rate agreements of challenging global economic conditions and recent and possible future changes in global financial markets; and the related risk that our allowance for doubtful accounts may not be adequate;
- any changes in business, political and economic conditions due to actual or threatened terrorist activity in the U.S. and other parts of the world, and related U.S. military action overseas;
- growth in costs and expenses;
- changes in our product, segment and geographic mix; and
- the impact of acquisitions, divestitures, restructurings, internal reorganizations, product recalls and withdrawals and other unusual items, including our ability to realize the projected benefits of our cost-reduction and productivity initiatives, including those related to our research and development organization, of the internal separation of our commercial operations into our new operating structure and of our proposed acquisition of Hospira.

We cannot guarantee that any forward-looking statement will be realized, although we believe we have been prudent in our plans and assumptions. Achievement of anticipated results is subject to substantial risks, uncertainties and inaccurate assumptions. Should known or unknown risks or uncertainties materialize or should underlying assumptions prove inaccurate, actual results could vary materially from past results and those anticipated, estimated or projected. Investors should bear this in mind as they consider forward-looking statements, and are cautioned not to put undue reliance on forward-looking statements.

We undertake no obligation to publicly update forward-looking statements, whether as a result of new information, future events or otherwise, except as required by law or by the rules and regulations of the SEC. You are advised, however, to consult any further disclosures we make on related subjects in our Form 10-Q, 8-K and 10-K reports and our other filings with the SEC.

Certain risks, uncertainties and assumptions are discussed here and under the heading entitled “Risk Factors” in Part I, Item 1A. of our Annual Report on Form 10-K for the year ended December 31, 2014. We note these factors for investors as permitted by the Private Securities Litigation Reform Act of 1995. You should understand that it is not possible to predict or identify all such factors. Consequently, you should not consider any such list to be a complete set of all potential risks or uncertainties.

The operating segment information provided in this report does not purport to represent the revenues, costs and income from continuing operations before provision for taxes on income that each of our operating segments would have recorded had each segment operated as a standalone company during the periods presented.

This report includes discussion of certain clinical studies relating to various in-line products and/or product candidates. These studies typically are part of a larger body of clinical data relating to such products or product candidates, and the discussion herein should be considered in the context of the larger body of data. In addition, clinical trial data are subject to differing interpretations, and, even when we view data as sufficient to support the safety and/or effectiveness of a product candidate or a new indication for an in-line product, regulatory authorities may not share our views and may require additional data or may deny approval altogether.

Financial Risk Management

The objective of our financial risk management program is to minimize the impact of foreign exchange rate movements and interest rate movements on our earnings. We manage these financial exposures through operational means and through the use of third-party instruments. These practices may change as economic conditions change.

Foreign Exchange Risk

We operate globally and, as such, we are subject to foreign exchange risk in our commercial operations, as well as in our financial assets (investments) and liabilities (borrowings). Our net investments in foreign subsidiaries are also subject to currency risk.

On the commercial side, a significant portion of our revenues and earnings is exposed to changes in foreign exchange rates. See the "*Our Operating Environment—The Global Economic Environment*" section of this Financial Review for the key currencies in which we operate. We seek to manage our foreign exchange risk, in part, through operational means, including managing same-currency revenues in relation to same-currency costs and same-currency assets in relation to same-currency liabilities. Where foreign exchange risk cannot be mitigated via operational means, we may use foreign currency forward-exchange contracts and/or foreign currency swaps to manage that risk.

With respect to our financial assets and liabilities, our primary foreign exchange exposure arises predominantly from short-term and long-term intercompany receivables and payables, and, to a lesser extent, from short-term and long-term investments and debt, where the assets and/or liabilities are denominated in currencies other than the functional currency of the business entity.

In addition, under certain market conditions, we may seek to protect against possible declines in the reported net investments of our foreign business entities. In these cases, we may use foreign currency swaps, foreign currency forward-exchange contracts and/or foreign currency debt.

For details about these and other financial instruments, including fair valuation methodologies, see Notes to Consolidated Financial Statements—*Note 7A. Financial Instruments: Selected Financial Assets and Liabilities*.

The fair values of our financial instrument holdings are analyzed at year-end to determine their sensitivity to foreign exchange rate changes. In this sensitivity analysis, holding all other assumptions constant and assuming that a change in one currency's rate relative to the U.S. dollar would not have any effect on another currency's rates relative to the U.S. dollar, if the dollar were to depreciate against all other currencies by 10%, as of December 31, 2014, the expected adverse impact on our net income would not be significant.

Interest Rate Risk

We are subject to interest rate risk on our investments and on our borrowings. We manage interest rate risk in the aggregate, while focusing on Pfizer's immediate and intermediate liquidity needs.

With respect to our investments, we strive to maintain a predominantly floating-rate basis position, but our strategy may change based on prevailing market conditions. Our floating-rate assets are subject to the risk that short-term interest rates may fall and, as a result, the investments would generate less interest income. Fixed-rate investments provide a known amount of interest income regardless of a change in interest rates. We sometimes use interest rate swaps in our financial investment portfolio.

With respect to our long-term borrowings, we strive to maintain a predominantly floating-rate basis position, but here too, we may change our strategy depending upon prevailing market conditions. We generally issue debt with a fixed rate, and then use interest rate swaps to convert it into floating-rate debt as we deem appropriate in the circumstances. This effective floating rate debt serves to offset some of the interest rate risks associated with our short-term and floating-rate investments.

For details about these and other financial instruments, including fair valuation methodologies, see Notes to Consolidated Financial Statements—*Note 7A. Financial Instruments: Selected Financial Assets and Liabilities*.

The fair values of our financial instrument holdings are analyzed at year-end to determine their sensitivity to interest rate changes. In this sensitivity analysis, holding all other assumptions constant and assuming a parallel shift in the interest rate curve for all maturities and for all instruments, if there were a one hundred basis point decrease in interest rates as of December 31, 2014, the expected adverse impact on our net income would not be significant.

Contingencies

Legal Matters

We and certain of our subsidiaries are subject to numerous contingencies arising in the ordinary course of business, such as patent litigation, product liability and other product-related litigation, commercial litigation, environmental claims and proceedings, government investigations and guarantees and indemnifications (see Notes to Consolidated Financial Statements—*Note 17. Commitments and Contingencies)*.

Certain of these contingencies could result in losses, including damages, fines and/or civil penalties, and/or criminal charges, which could be substantial.

We believe that our claims and defenses in these matters are substantial, but litigation is inherently unpredictable and excessive verdicts do occur. We do not believe that any of these matters will have a material adverse effect on our financial position. However, we could incur judgments, enter into settlements or revise our expectations regarding the outcome of certain matters, and such developments could have a material adverse effect on our results of operations in the period in which the amounts are accrued and/or our cash flows in the period in which the amounts are paid.

We have accrued for losses that are both probable and reasonably estimable. Substantially all of our contingencies are subject to significant uncertainties and, therefore, determining the likelihood of a loss and/or the measurement of any loss can be complex. Consequently, we are unable to estimate the range of reasonably possible loss in excess of amounts accrued. Our assessments are based on estimates and assumptions that have been deemed reasonable by management, but the assessment process relies heavily on estimates and assumptions that may prove to be incomplete or inaccurate, and unanticipated events and circumstances may occur that might cause us to change those estimates and assumptions.

Tax Matters

We and certain of our subsidiaries are subject to numerous contingencies arising in the ordinary course of business for tax matters (see Notes to Consolidated Financial Statements—*Note 5D. Tax Matters: Tax Contingencies)*.

We account for income tax contingencies using a benefit recognition model. If our initial assessment fails to result in the recognition of a tax benefit, we regularly monitor our position and subsequently recognize the tax benefit: (i) if there are changes in tax law, analogous case law or there is new information that sufficiently raise the likelihood of prevailing on the technical merits of the position to more likely than not; (ii) if the statute of limitations expires; or (iii) if there is a completion of an audit resulting in a favorable settlement of that tax year with the appropriate agency. We regularly re-evaluate our tax positions based on the results of audits of federal, state and foreign income tax filings, statute of limitations expirations, changes in tax law or receipt of new information that would either increase or decrease the technical merits of a position relative to the “more-likely-than-not” standard.

Our assessments are based on estimates and assumptions that have been deemed reasonable by management, but our estimates of unrecognized tax benefits and potential tax benefits may not be representative of actual outcomes, and variation from such estimates could materially affect our financial statements in the period of settlement or when the statutes of limitations expire, as we treat these events as discrete items in the period of resolution. Finalizing audits with the relevant taxing authorities can include formal administrative and legal proceedings, and, as a result, it is difficult to estimate the timing and range of possible changes related to our uncertain tax positions, and such changes could be significant.

Management's Report on Internal Control Over Financial Reporting

Management's Report

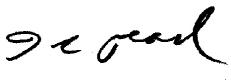
We prepared and are responsible for the financial statements that appear in our 2014 Financial Report. These financial statements are in conformity with accounting principles generally accepted in the United States of America and, therefore, include amounts based on informed judgments and estimates. We also accept responsibility for the preparation of other financial information that is included in this document.

Report on Internal Control Over Financial Reporting

The management of the Company is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rules 13a-15(f) and 15d-15(f) under the Securities Exchange Act of 1934. The Company's internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles in the United States of America. The Company's internal control over financial reporting includes those policies and procedures that: (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles and that receipts and expenditures of the Company are being made only in accordance with authorizations of management and directors of the Company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions or that the degree of compliance with the policies or procedures may deteriorate. Management assessed the effectiveness of the Company's internal control over financial reporting as of December 31, 2014. In making this assessment, management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission in *Internal Control—Integrated Framework (2013)*. Based on our assessment and those criteria, management believes that the Company maintained effective internal control over financial reporting as of December 31, 2014.

The Company's independent auditors have issued their auditors' report on the Company's internal control over financial reporting. That report appears in our 2014 Financial Report under the heading, *Report of Independent Registered Public Accounting Firm on Internal Control Over Financial Reporting.*



Ian Read
Chairman and Chief Executive Officer

Frank D'Amelio
Principal Financial Officer

Loretta Cangialosi
Principal Accounting Officer

February 27, 2015

Audit Committee Report

The Audit Committee reviews the Company's financial reporting process on behalf of the Board of Directors. Management has the primary responsibility for the financial statements and the reporting process, including the system of internal controls.

In this context, the Committee has met and held discussions with management and the independent registered public accounting firm regarding the fair and complete presentation of the Company's results and the assessment of the Company's internal control over financial reporting. The Committee has discussed significant accounting policies applied by the Company in its financial statements, as well as, when applicable, alternative accounting treatments. Management has represented to the Committee that the Company's consolidated financial statements were prepared in accordance with accounting principles generally accepted in the United States of America, and the Committee has reviewed and discussed the consolidated financial statements with management and the independent registered public accounting firm. The Committee has discussed with the independent registered public accounting firm matters required to be discussed under applicable Public Company Accounting Oversight Board (PCAOB) standards.

In addition, the Committee has reviewed and discussed with the independent registered public accounting firm the auditor's independence from the Company and its management. As part of that review, the Committee has received the written disclosures and the letter required by applicable requirements of the PCAOB regarding the independent accountant's communications with the Audit Committee concerning independence, and the Committee has discussed the independent registered public accounting firm's independence from the Company.

The Committee also has considered whether the independent registered public accounting firm's provision of non-audit services to the Company is compatible with the auditor's independence. The Committee has concluded that the independent registered public accounting firm is independent from the Company and its management.

As part of its responsibilities for oversight of the Company's Enterprise Risk Management process, the Committee has reviewed and discussed Company policies with respect to risk assessment and risk management, including discussions of individual risk areas, as well as an annual summary of the overall process.

The Committee has discussed with the Company's Internal Audit Department and independent registered public accounting firm the overall scope of and plans for their respective audits. The Committee meets with the Chief Internal Auditor, Chief Compliance and Risk Officer and representatives of the independent registered public accounting firm, in regular and executive sessions to discuss the results of their examinations, the evaluations of the Company's internal controls, and the overall quality of the Company's financial reporting and compliance programs.

In reliance on the reviews and discussions referred to above, the Committee has recommended to the Board of Directors, and the Board has approved, that the audited financial statements be included in the Company's Annual Report on Form 10-K for the year ended December 31, 2014, for filing with the SEC. The Committee has selected, and the Board of Directors has ratified, the selection of the Company's independent registered public accounting firm for 2015.

W. Don Cornwell
Chair, Audit Committee

February 27, 2015

Suzanne Nora Johnson

February 27, 2015

Dennis A. Ausiello

February 27, 2015

Stephen W. Sanger

February 27, 2015

The Audit Committee Report does not constitute soliciting material, and shall not be deemed to be filed or incorporated by reference into any Company filing under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended, except to the extent that the Company specifically incorporates the Audit Committee Report by reference therein.

Report of Independent Registered Public Accounting Firm on the Consolidated Financial Statements

The Board of Directors and Shareholders of Pfizer Inc.:

We have audited the accompanying consolidated balance sheets of Pfizer Inc. and Subsidiary Companies as of December 31, 2014 and 2013, and the related consolidated statements of income, comprehensive income, equity, and cash flows for each of the years in the three-year period ended December 31, 2014. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Pfizer Inc. and Subsidiary Companies as of December 31, 2014 and 2013, and the results of their operations and their cash flows for each of the years in the three-year period ended December 31, 2014, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the effectiveness of Pfizer Inc. and Subsidiary Companies' internal control over financial reporting as of December 31, 2014, based on criteria established in *Internal Control—Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), and our report dated February 27, 2015 expressed an unqualified opinion on the effective operation of the Company's internal control over financial reporting.

KPMG LLP
New York, New York

February 27, 2015

Report of Independent Registered Public Accounting Firm on Internal Control Over Financial Reporting

The Board of Directors and Shareholders of Pfizer Inc.:

We have audited the internal control over financial reporting of Pfizer Inc. and Subsidiary Companies as of December 31, 2014, based on criteria established in *Internal Control—Integrated Framework* (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Pfizer Inc. and Subsidiary Companies' management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audit also included performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, Pfizer Inc. and Subsidiary Companies maintained, in all material respects, effective internal control over financial reporting as of December 31, 2014, based on criteria established in *Internal Control—Integrated Framework* (2013) issued by COSO.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of Pfizer Inc. and Subsidiary Companies as of December 31, 2014 and 2013, and the related consolidated statements of income, comprehensive income, equity, and cash flows for each of the years in the three-year period ended December 31, 2014, and our report dated February 27, 2015 expressed an unqualified opinion on those consolidated financial statements.

KPMG LLP

KPMG LLP
New York, New York

February 27, 2015

Consolidated Statements of Income

Pfizer Inc. and Subsidiary Companies

(MILLIONS, EXCEPT PER COMMON SHARE DATA)	Year Ended December 31, 2014	2013	2012
Revenues	**$ 49,605**	$ 51,584	$ 54,657
Costs and expenses:			
Cost of sales[a]	**9,577**	9,586	9,821
Selling, informational and administrative expenses[a]	**14,097**	14,355	15,171
Research and development expenses[a]	**8,393**	6,678	7,482
Amortization of intangible assets	**4,039**	4,599	5,109
Restructuring charges and certain acquisition-related costs	**250**	1,182	1,810
Other (income)/deductions—net	**1,009**	(532)	4,022
Income from continuing operations before provision for taxes on income	**12,240**	15,716	11,242
Provision for taxes on income	**3,120**	4,306	2,221
Income from continuing operations	**9,119**	11,410	9,021
Discontinued operations:			
Income from discontinued operations—net of tax	**(6)**	308	794
Gain on disposal of discontinued operations—net of tax	**55**	10,354	4,783
Discontinued operations—net of tax	**48**	10,662	5,577
Net income before allocation to noncontrolling interests	**9,168**	22,072	14,598
Less: Net income attributable to noncontrolling interests	**32**	69	28
Net income attributable to Pfizer Inc.	**$ 9,135**	$ 22,003	$ 14,570
Earnings per common share—basic:			
Income from continuing operations attributable to Pfizer Inc. common shareholders	**$ 1.43**	$ 1.67	$ 1.21
Discontinued operations—net of tax	**0.01**	1.56	0.75
Net income attributable to Pfizer Inc. common shareholders	**$ 1.44**	$ 3.23	$ 1.96
Earnings per common share—diluted:			
Income from continuing operations attributable to Pfizer Inc. common shareholders	**$ 1.41**	$ 1.65	$ 1.20
Discontinued operations—net of tax	**0.01**	1.54	0.74
Net income attributable to Pfizer Inc. common shareholders	**$ 1.42**	$ 3.19	$ 1.94
Weighted-average shares—basic	**6,346**	6,813	7,442
Weighted-average shares—diluted	**6,424**	6,895	7,508
Cash dividends paid per common share	**$ 1.04**	$ 0.96	$ 0.88

[a] Exclusive of amortization of intangible assets, except as disclosed in *Note 1K. Basis of Presentation and Significant Accounting Policies: Amortization of Intangible Assets, Depreciation and Certain Long-Lived Assets.*

Amounts may not add due to rounding.

See Notes to Consolidated Financial Statements, which are an integral part of these statements.

Consolidated Statements of Comprehensive Income

Pfizer Inc. and Subsidiary Companies

(MILLIONS)	Year Ended December 31, 2014	2013	2012
Net income before allocation to noncontrolling interests	**$ 9,168**	$ 22,072	14,598
Foreign currency translation adjustments	**$ (1,992)**	$ (535)	$ (811)
Reclassification adjustments[a]	**(62)**	144	(207)
	(2,054)	(391)	(1,018)
Unrealized holding gains on derivative financial instruments, net	**24**	488	745
Reclassification adjustments for realized (gains)/losses[b]	**477**	(94)	(616)
	501	394	129
Unrealized holding gains/(losses) on available-for-sale securities, net	**(640)**	151	74
Reclassification adjustments for realized (gains)/losses[b]	**222**	(237)	356
	(418)	(86)	430
Benefit plans: actuarial gains/(losses), net	**(4,173)**	3,714	(2,136)
Reclassification adjustments related to amortization[c]	**195**	581	473
Reclassification adjustments related to settlements, net[c]	**101**	175	221
Other	**188**	48	22
	(3,690)	4,518	(1,420)
Benefit plans: prior service credits and other, net	**746**	151	25
Reclassification adjustments related to amortization[c]	**(73)**	(58)	(69)
Reclassification adjustments related to curtailments, net[c]	**8**	1	(130)
Other	**(9)**	(8)	(3)
	672	86	(177)
Other comprehensive income/(loss), before tax	**(4,988)**	4,521	(2,056)
Tax provision/(benefit) on other comprehensive income/(loss)[d]	**(946)**	1,928	(225)
Other comprehensive income/(loss) before allocation to noncontrolling interests	**$ (4,042)**	$ 2,593	$ (1,831)
Comprehensive income before allocation to noncontrolling interests	**$ 5,126**	$ 24,665	$ 12,767
Less: Comprehensive income attributable to noncontrolling interests	**36**	7	21
Comprehensive income attributable to Pfizer Inc.	**$ 5,090**	$ 24,658	$ 12,746

[a] Reclassified into *Gain on disposal of discontinued operations—net of tax* in the consolidated statements of income.

[b] Reclassified into *Other (income)/deductions—net* in the consolidated statements of income.

[c] Generally reclassified, as part of net periodic pension cost, into *Cost of sales, Selling, informational and administrative expenses,* and/or *Research and development expenses*, as appropriate, in the consolidated statements of income. For additional information, see *Note 11. Pension and Postretirement Benefit Plans and Defined Contribution Plans*.

[d] See *Note 5E. Tax Matters: Tax Provision/(Benefit) on Other Comprehensive Income/(Loss).*

Amounts may not add due to rounding.

See Notes to Consolidated Financial Statements, which are an integral part of these statements.

Consolidated Balance Sheets

Pfizer Inc. and Subsidiary Companies

(MILLIONS, EXCEPT PREFERRED STOCK ISSUED AND PER COMMON SHARE DATA)	As of December 31, 2014	2013
Assets		
Cash and cash equivalents	**$ 3,343**	$ 2,183
Short-term investments	**32,779**	30,225
Accounts receivable, less allowance for doubtful accounts: 2014—$412; 2013—$478	**8,669**	9,357
Inventories	**5,663**	6,166
Current deferred tax assets and other current tax assets	**4,498**	4,624
Other current assets	**2,750**	3,689
Total current assets	**57,702**	56,244
Long-term investments	**17,518**	16,406
Property, plant and equipment, less accumulated depreciation	**11,762**	12,397
Identifiable intangible assets, less accumulated amortization	**35,166**	39,385
Goodwill	**42,069**	42,519
Noncurrent deferred tax assets and other noncurrent tax assets	**1,544**	1,554
Other noncurrent assets	**3,513**	3,596
Total assets	**$ 169,274**	$ 172,101
Liabilities and Equity		
Short-term borrowings, including current portion of long-term debt: 2014—$3,011; 2013—$2,060	**$ 5,141**	$ 6,027
Accounts payable	**3,440**	3,234
Dividends payable	**1,711**	1,663
Income taxes payable	**531**	678
Accrued compensation and related items	**1,784**	1,792
Other current liabilities	**9,024**	9,972
Total current liabilities	**21,631**	23,366
Long-term debt	**31,541**	30,462
Pension benefit obligations, net	**7,885**	4,635
Postretirement benefit obligations, net	**2,379**	2,668
Noncurrent deferred tax liabilities	**24,981**	25,590
Other taxes payable	**4,353**	3,993
Other noncurrent liabilities	**4,883**	4,767
Total liabilities	**97,652**	95,481
Commitments and Contingencies		
Preferred stock, no par value, at stated value; 27 shares authorized; issued: 2014—717; 2013—829	**29**	33
Common stock, $0.05 par value; 12,000 shares authorized; issued: 2014—9,110; 2013—9,051	**455**	453
Additional paid-in capital	**78,977**	77,283
Treasury stock, shares at cost: 2014—2,819; 2013—2,652	**(73,021)**	(67,923)
Retained earnings	**72,176**	69,732
Accumulated other comprehensive loss	**(7,316)**	(3,271)
Total Pfizer Inc. shareholders' equity	**71,301**	76,307
Equity attributable to noncontrolling interests	**321**	313
Total equity	**71,622**	76,620
Total liabilities and equity	**$ 169,274**	$ 172,101

Amounts may not add due to rounding.

See Notes to Consolidated Financial Statements, which are an integral part of these statements.

Consolidated Statements of Equity
Pfizer Inc. and Subsidiary Companies

	PFIZER INC. SHAREHOLDERS											
	Preferred Stock		Common Stock			Treasury Stock						
(MILLIONS, EXCEPT PREFERRED SHARES)	Shares	Stated Value	Shares	Par Value	Add'l Paid-In Capital	Shares	Cost	Retained Earnings	Accum. Other Comp. Loss	Share-holders' Equity	Non-controlling Interests	Total Equity
Balance, January 1, 2012	1,112	$ 45	8,902	$ 445	$ 71,423	(1,327)	$ (31,804)	$ 46,210	$ (4,129)	$ 82,190	$ 431	$ 82,621
Net income								14,570		14,570	28	14,598
Other comprehensive loss, net of tax									(1,824)	(1,824)	(7)	(1,831)
Cash dividends declared:												
Common stock								(6,537)		(6,537)		(6,537)
Preferred stock								(3)		(3)		(3)
Noncontrolling interests											(9)	(9)
Share-based payment transactions			52	3	1,150	(4)	(97)			1,056		1,056
Purchases of common stock						(349)	(8,228)			(8,228)		(8,228)
Preferred stock conversions and redemptions	(145)	(6)			(3)	—	1			(8)		(8)
Other			2	—	38	—	6	—		44	(25)	19
Balance, December 31, 2012	967	39	8,956	448	72,608	(1,680)	(40,122)	54,240	(5,953)	81,260	418	81,678
Net income								22,003		22,003	69	22,072
Other comprehensive income/(loss), net of tax									2,655	2,655	(62)	2,593
Cash dividends declared:												
Common stock								(6,509)		(6,509)		(6,509)
Preferred stock								(2)		(2)		(2)
Noncontrolling interests											(121)	(121)
Share-based payment transactions			95	5	2,390	(4)	(99)			2,296		2,296
Purchases of common stock						(563)	(16,290)			(16,290)		(16,290)
Preferred stock conversions and redemptions	(138)	(6)			(5)	—	—			(11)		(11)
Sale of 19.8% of subsidiary through an IPO[a]					2,297				27	2,324	155	2,479
Acquisition of common stock in exchange offer[a]						(405)	(11,408)			(11,408)		(11,408)
Deconsolidation of subsidiary sold[a]											(145)	(145)
Other			—	—	(7)	—	(4)	—		(11)	(1)	(12)
Balance, December 31, 2013	829	33	9,051	453	77,283	(2,652)	(67,923)	69,732	(3,271)	76,307	313	76,620
Net income								9,135		9,135	32	9,168
Other comprehensive income/(loss), net of tax									**(4,045)**	**(4,045)**	**3**	**(4,042)**
Cash dividends declared:												
Common stock								**(6,690)**		**(6,690)**		**(6,690)**
Preferred stock								**(2)**		**(2)**		**(2)**
Noncontrolling interests											**(6)**	**(6)**
Share-based payment transactions			**59**	**3**	**1,693**	**(2)**	**(100)**			**1,597**		**1,597**
Purchases of common stock						**(165)**	**(5,000)**			**(5,000)**		**(5,000)**
Preferred stock conversions and redemptions	**(112)**	**(4)**			**(4)**	**—**	**1**			**(8)**		**(8)**
Other	**—**	**—**	**—**	**(1)**	**5**	**—**	**—**	**—**	**—**	**5**	**(22)**	**(17)**
Balance, December 31, 2014	**717**	**$ 29**	**9,110**	**$ 455**	**$ 78,977**	**(2,819)**	**$ (73,021)**	**$ 72,176**	**$ (7,316)**	**$ 71,301**	**$ 321**	**$ 71,622**

[a] Relates to Zoetis (our former Animal Health subsidiary). See *Note 2D. Acquisitions, Licensing Agreements, Collaborative Arrangements, Divestitures, and Equity-Method Investments: Divestitures.*
Amounts may not add due to rounding.

See Notes to Consolidated Financial Statements, which are an integral part of these statements.

Consolidated Statements of Cash Flows
Pfizer Inc. and Subsidiary Companies

(MILLIONS)	Year Ended December 31, 2014	2013	2012
Operating Activities			
Net income before allocation to noncontrolling interests	**$ 9,168**	$ 22,072	$ 14,598
Adjustments to reconcile net income before allocation to noncontrolling interests to net cash provided by operating activities:			
Depreciation and amortization	**5,537**	6,410	7,655
Asset write-offs and impairments	**531**	1,145	1,299
Gain on disposal of discontinued operations	**(51)**	(10,446)	(7,123)
Gain associated with the transfer of certain product rights to an equity-method investment	**—**	(459)	—
Deferred taxes from continuing operations	**320**	1,726	786
Deferred taxes from discontinued operations	**(3)**	(23)	1,412
Share-based compensation expense	**586**	523	481
Benefit plan contributions (in excess of)/less than expense	**(199)**	296	135
Other adjustments, net	**(430)**	(182)	(130)
Other changes in assets and liabilities, net of acquisitions and divestitures:			
Accounts receivable	**148**	940	367
Inventories	**175**	(538)	(631)
Other assets	**1,156**	(822)	(434)
Accounts payable	**297**	382	579
Other liabilities	**(844)**	(3,170)	(2,738)
Other tax accounts, net	**491**	(170)	490
Net cash provided by operating activities	**16,883**	17,684	16,746
Investing Activities			
Purchases of property, plant and equipment	**(1,199)**	(1,206)	(1,327)
Purchases of short-term investments	**(50,954)**	(42,761)	(24,018)
Proceeds from redemptions/sales of short-term investments	**47,374**	41,127	25,302
Net (purchases of)/proceeds from redemptions/sales of short-term investments with original maturities of 90 days or less	**3,930**	(4,277)	1,459
Purchases of long-term investments	**(10,718)**	(11,020)	(11,145)
Proceeds from redemptions/sales of long-term investments	**6,145**	7,555	4,990
Acquisitions of businesses, net of cash acquired	**(195)**	(15)	(1,050)
Acquisitions of intangible assets	**(384)**	(259)	(92)
Proceeds from sale of businesses	**—**	—	11,850
Other investing activities, net	**347**	312	185
Net cash provided by/(used in) investing activities	**(5,654)**	(10,544)	6,154
Financing Activities			
Proceeds from short-term borrowings	**13**	4,323	7,995
Principal payments on short-term borrowings	**(10)**	(4,234)	(8,177)
Net proceeds from/(payments on) short-term borrowings with original maturities of 90 days or less	**(1,841)**	3,475	(30)
Proceeds from issuance of long-term debt[a]	**4,491**	6,618	—
Principal payments on long-term debt	**(2,104)**	(4,146)	(1,513)
Purchases of common stock	**(5,000)**	(16,290)	(8,228)
Cash dividends paid	**(6,609)**	(6,580)	(6,534)
Proceeds from exercise of stock options	**1,002**	1,750	568
Other financing activities, net	**72**	109	(80)
Net cash used in financing activities	**(9,986)**	(14,975)	(15,999)
Effect of exchange-rate changes on cash and cash equivalents	**(83)**	(63)	(2)
Net increase/(decrease) in cash and cash equivalents	**1,160**	(7,898)	6,899
Cash and cash equivalents, beginning	**2,183**	10,081	3,182
Cash and cash equivalents, end	**$ 3,343**	$ 2,183	$ 10,081

- Continued -

Consolidated Statements of Cash Flows
Pfizer Inc. and Subsidiary Companies

	Year Ended December 31,		
	2014	2013	2012
Supplemental Cash Flow Information			
Non-cash transactions:			
Sale of subsidiary common stock (Zoetis) for Pfizer common stock[b]	**$ —**	$ 11,408	$ —
Exchange of subsidiary common stock (Zoetis) for the retirement of Pfizer commercial paper issued in 2013[b]	**—**	2,479	—
Exchange of subsidiary senior notes (Zoetis) for the retirement of Pfizer commercial paper issued in 2012[b]	**—**	992	—
Transfer of certain product rights to an equity-method investment (Hisun Pfizer)[c]	**—**	1,233	—
Contribution of an investment in connection with the resolution of a legal matter (Quigley)	**—**	447	—
Cash paid during the period for:			
Income taxes	**$ 2,100**	$ 2,874	$ 2,409
Interest	**1,550**	1,729	1,873

[a] In 2013, includes $2.6 billion from the issuance of senior notes by Zoetis (our former Animal Health subsidiary), which is net of the $1.0 billion non-cash exchange of Zoetis senior notes for the retirement of Pfizer commercial paper issued in 2012. See *Note 2D. Acquisitions, Licensing Agreements, Collaborative Arrangements, Divestitures, and Equity-Method Investments: Divestitures*.
[b] See *Note 2D. Acquisitions, Licensing Agreements, Collaborative Arrangements, Divestitures, and Equity-Method Investments: Divestitures*.
[c] See *Note 2E. Acquisitions, Licensing Agreements, Collaborative Arrangements, Divestitures, and Equity-Method Investments: Equity-Method Investments*.
Amounts may not add due to rounding.

See Notes to Consolidated Financial Statements, which are an integral part of these statements.

Note 1. Basis of Presentation and Significant Accounting Policies

A. Basis of Presentation

The consolidated financial statements include our parent company and all subsidiaries, and are prepared in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP). The decision of whether or not to consolidate an entity requires consideration of majority voting interests, as well as effective economic or other control over the entity. Typically, we do not seek control by means other than voting interests. For subsidiaries operating outside the United States (U.S.), the financial information is included as of and for the year ended November 30 for each year presented. Substantially all unremitted earnings of international subsidiaries are free of legal and contractual restrictions. All significant transactions among our businesses have been eliminated. Taxes paid on intercompany sales transactions are deferred until recognized upon sale of the asset to a third party.

In the consolidated statements of cash flows, we have revised the presentation of certain items in prior periods, none of which had a significant impact.

On June 24, 2013, we completed the full disposition of our Animal Health business (Zoetis), and recognized a gain of approximately $10.3 billion, net of tax, in *Gain on disposal of discontinued operations—net of tax* in the consolidated statement of income for the year ended December 31, 2013. The operating results of this business through June 24, 2013, the date of disposal, are reported as *Income from discontinued operations—net of tax* in the consolidated statements of income. For additional information, see *Note 2D*.

On November 30, 2012, we completed the sale of our Nutrition business to Nestlé and recognized a gain of approximately $4.8 billion, net of tax, in *Gain on disposal of discontinued operations—net of tax* in the consolidated statement of income for the year ended December 31, 2012. The operating results of this business through November 30, 2012, the date of disposal, are reported as *Income from discontinued operations—net of tax* in the consolidated statements of income. For additional information, see *Note 2D*.

Certain amounts in the consolidated financial statements and associated notes may not add due to rounding. All percentages have been calculated using unrounded amounts.

B. Adoption of New Accounting Standards

We adopted the following new accounting and disclosure standards as of January 1, 2014 and there were no impacts to our consolidated financial statements:

- A new standard that clarified the accounting for cumulative translation adjustment (CTA) upon derecognition of a group of assets that is a business or an equity-method investment within a foreign entity.
- A new standard regarding the measurement of obligations resulting from joint and several liability arrangements that may include debt agreements, other contractual obligations and settled litigation or judicial rulings.

C. Estimates and Assumptions

In preparing the consolidated financial statements, we use certain estimates and assumptions that affect reported amounts and disclosures, including amounts recorded and disclosed in connection with acquisitions. These estimates and underlying assumptions can impact all elements of our financial statements. For example, in the consolidated statements of income, estimates are used when accounting for deductions from revenues (such as rebates, chargebacks, sales allowances and sales returns), determining the cost of inventory that is sold, allocating cost in the form of depreciation and amortization, and estimating restructuring charges and the impact of contingencies. On the consolidated balance sheets, estimates are used in determining the valuation and recoverability of assets, such as accounts receivable, investments, inventories, deferred tax assets, fixed assets and intangible assets (including acquired in-process research & development (IPR&D) assets), and estimates are used in determining the reported amounts of liabilities, such as taxes payable, benefit obligations, accruals for contingencies, rebates, chargebacks, sales allowances and sales returns, and restructuring reserves, all of which also impact the consolidated statements of income.

Our estimates are often based on complex judgments and assumptions that we believe to be reasonable, but that can be inherently uncertain and unpredictable. If our estimates and assumptions are not representative of actual outcomes, our results could be materially impacted.

As future events and their effects cannot be determined with precision, our estimates and assumptions may prove to be incomplete or inaccurate, or unanticipated events and circumstances may occur that might cause us to change those estimates and assumptions. We are subject to risks and uncertainties that may cause actual results to differ from estimated amounts, such as changes in the healthcare environment, competition, litigation, legislation and regulations. We regularly evaluate our estimates and assumptions using historical experience and expectations about the future. We adjust our estimates and assumptions when facts and circumstances indicate the need for change. Those changes generally will be reflected in our financial statements on a prospective basis, unless they are required to be treated retrospectively under relevant accounting standards. It is possible that others, applying reasonable judgment to the same facts and circumstances, could develop and support a range of alternative estimated amounts.

D. Acquisitions

Our consolidated financial statements include the operations of an acquired business after the completion of the acquisition. We account for acquired businesses using the acquisition method of accounting, which requires, among other things, that most assets acquired and liabilities

assumed be recognized at their estimated fair values as of the acquisition date and that the fair value of acquired IPR&D be recorded on the balance sheet. Transaction costs are expensed as incurred. Any excess of the consideration transferred over the assigned values of the net assets acquired is recorded as goodwill. When we acquire net assets that do not constitute a business, as defined in U.S. GAAP, no goodwill is recognized and acquired IPR&D is expensed.

Contingent consideration in a business combination is included as part of the acquisition cost and is recognized at fair value as of the acquisition date. Fair value is generally estimated by using a probability-weighted discounted cash flow approach. Any liability resulting from contingent consideration is remeasured to fair value at each reporting date until the contingency is resolved. These changes in fair value are recognized in earnings in *Other (income)/deductions—net*.

Amounts recorded in connection with an acquisition can result from a complex series of judgments about future events and uncertainties and can rely heavily on estimates and assumptions. For information about the risks associated with estimates and assumptions, see *Note 1C.*

E. Fair Value

We are often required to measure certain assets and liabilities at fair value, either upon initial recognition or for subsequent accounting or reporting. For example, we use fair value extensively in the initial recognition of net assets acquired in a business combination, when measuring certain impairment losses and when accounting for and reporting of certain financial instruments. We estimate fair value using an exit price approach, which requires, among other things, that we determine the price that would be received to sell an asset or paid to transfer a liability in an orderly market. The determination of an exit price is considered from the perspective of market participants, considering the highest and best use of non-financial assets and, for liabilities, assuming that the risk of non-performance will be the same before and after the transfer.

When estimating fair value, depending on the nature and complexity of the asset or liability, we may use one or all of the following techniques:

- Income approach, which is based on the present value of a future stream of net cash flows.
- Market approach, which is based on market prices and other information from market transactions involving identical or comparable assets or liabilities.
- Cost approach, which is based on the cost to acquire or construct comparable assets, less an allowance for functional and/or economic obsolescence.

Our fair value methodologies depend on the following types of inputs:

- Quoted prices for identical assets or liabilities in active markets (Level 1 inputs).
- Quoted prices for similar assets or liabilities in active markets, or quoted prices for identical or similar assets or liabilities in markets that are not active, or inputs other than quoted prices that are directly or indirectly observable, or inputs that are derived principally from, or corroborated by, observable market data by correlation or other means (Level 2 inputs).
- Unobservable inputs that reflect estimates and assumptions (Level 3 inputs).

A single estimate of fair value can result from a complex series of judgments about future events and uncertainties and can rely heavily on estimates and assumptions. For information about the risks associated with estimates and assumptions, see *Note 1C.*

F. Foreign Currency Translation

For most of our international operations, local currencies have been determined to be the functional currencies. We translate functional currency assets and liabilities to their U.S. dollar equivalents at exchange rates in effect as of the balance sheet date and we translate functional currency income and expense amounts to their U.S. dollar equivalents at average exchange rates for the period. The U.S. dollar effects that arise from changing translation rates are recorded in *Other comprehensive income/(loss)*. The effects of converting non-functional currency monetary assets and liabilities into the functional currency are recorded in *Other (income)/deductions—net.* For operations in highly inflationary economies, we translate monetary items at rates in effect as of the balance sheet date, with translation adjustments recorded in *Other (income)/deductions—net*, and we translate non-monetary items at historical rates.

G. Revenues and Accounts Receivable

Revenue Recognition—We record revenues from product sales when the goods are shipped and title passes to the customer. At the time of sale, we also record estimates for a variety of revenue deductions, such as rebates, chargebacks, sales allowances and sales returns. When we cannot reasonably estimate the amount of future sales returns and/or other revenue deductions, we record revenues when the risk of product return and/or additional revenue deductions has been substantially eliminated.

Deductions from Revenues—Our gross product revenues are subject to a variety of deductions, that generally are estimated and recorded in the same period that the revenues are recognized, and primarily represent rebates, chargebacks and sales allowances to government agencies, wholesalers/distributors and managed care organizations with respect to our pharmaceutical products. These deductions represent estimates of the related obligations and, as such, knowledge and judgment is required when estimating the impact of these revenue deductions on gross sales for a reporting period.

Specifically:

- In the U.S., we record provisions for pharmaceutical Medicare, Medicaid, and performance-based contract rebates based upon our experience ratio of rebates paid and actual prescriptions written during prior quarters. We apply the experience ratio to the respective

period's sales to determine the rebate accrual and related expense. This experience ratio is evaluated regularly to ensure that the historical trends are as current as practicable. We estimate discounts on branded prescription drug sales to Medicare Part D participants in the Medicare "coverage gap," also known as the "doughnut hole," based on the historical experience of beneficiary prescriptions and consideration of the utilization that is expected to result from the discount in the coverage gap. We evaluate this estimate regularly to ensure that the historical trends and future expectations are as current as practicable. For performance-based contract rebates, we also consider current contract terms, such as changes in formulary status and rebate rates.

- Outside the U.S., the majority of our pharmaceutical sales allowances are contractual or legislatively mandated and our estimates are based on actual invoiced sales within each period, which reduces the risk of variations in the estimation process. In certain European countries, rebates are calculated on the government's total unbudgeted pharmaceutical spending or on specific product sales thresholds, and we apply an estimated allocation factor against our actual invoiced sales to project the expected level of reimbursement. We obtain third-party information that helps us to monitor the adequacy of these accruals.
- Provisions for pharmaceutical chargebacks (primarily reimbursements to U.S. wholesalers for honoring contracted prices to third parties) closely approximate actual as we settle these deductions generally within two to five weeks of incurring the liability.
- Provisions for pharmaceutical sales returns are based on a calculation for each market that incorporates the following, as appropriate: local returns policies and practices; historical returns as a percentage of sales; an understanding of the reasons for past returns; estimated shelf life by product; an estimate of the amount of time between shipment and return or lag time; and any other factors that could impact the estimate of future returns, such as loss of exclusivity, product recalls or a changing competitive environment. Generally, returned products are destroyed, and customers are refunded the sales price in the form of a credit.
- We record sales incentives as a reduction of revenues at the time the related revenues are recorded or when the incentive is offered, whichever is later. We estimate the cost of our sales incentives based on our historical experience with similar incentives programs to predict customer behavior.

Our accruals for Medicare rebates, Medicaid and related state program rebates, performance-based contract rebates, chargebacks, sales allowances, and sales returns and cash discounts totaled $3.4 billion as of December 31, 2014, of which approximately $2.0 billion is included in *Other current liabilities,* $300 million is included in *Other noncurrent liabilities* and approximately $1.1 billion is included against *Accounts receivable, less allowance for doubtful accounts*, in our consolidated balance sheet. Our accruals for Medicare rebates, Medicaid and related state program rebates, performance-based contract rebates, chargebacks, sales allowances, and sales returns and cash discounts totaled $3.3 billion as of December 31, 2013, of which approximately $2.1 billion is included in *Other current liabilities,* $234 million is included in *Other noncurrent liabilities* and approximately $1.0 billion is included against *Accounts receivable, less allowance for doubtful accounts*, in our consolidated balance sheet.

Amounts recorded for revenue deductions can result from a complex series of judgments about future events and uncertainties and can rely heavily on estimates and assumptions. For information about the risks associated with estimates and assumptions, see *Note 1C.*

Taxes collected from customers relating to product sales and remitted to governmental authorities are excluded from *Revenues*.

Collaborative Arrangements—Payments to and from our collaboration partners are presented in our consolidated statements of income based on the nature of the arrangement (including its contractual terms), the nature of the payments and applicable accounting guidance. Under co-promotion agreements, we record the amounts received from our collaboration partners as alliance revenues, a component of *Revenues,* when our collaboration partners are the principal in the transaction and we receive a share of their net sales or profits. Alliance revenues are recorded when our collaboration partners ship the product and title passes to their customer. The related expenses for selling and marketing these products are included in *Selling, informational and administrative expenses.* In collaborative arrangements where we manufacture a product for our collaboration partners, we record revenues when our collaboration partners sell the product and title passes to their customers. All royalty payments to collaboration partners are included in *Cost of sales*.

Accounts Receivable—Accounts receivable are stated at their net realizable value. The allowance against gross accounts receivable reflects the best estimate of probable losses inherent in the receivables portfolio determined on the basis of historical experience, specific allowances for known troubled accounts and other currently available information. Accounts receivable are written off after all reasonable means to collect the full amount (including litigation, where appropriate) have been exhausted.

H. Cost of Sales and Inventories

We carry inventories at the lower of cost or market. The cost of finished goods, work in process and raw materials is determined using average actual cost. We regularly review our inventories for impairment and reserves are established when necessary.

I. Selling, Informational and Administrative Expenses

Selling, informational and administrative costs are expensed as incurred. Among other things, these expenses include the internal and external costs of marketing, advertising, shipping and handling, information technology and legal defense.

Advertising expenses totaled approximately $3.1 billion in 2014, $3.0 billion in 2013 and $2.8 billion in 2012. Production costs are expensed as incurred and the costs of radio time, television time and space in publications are expensed when the related advertising occurs.

J. Research and Development Expenses

Research and development (R&D) costs are expensed as incurred. These expenses include the costs of our proprietary R&D efforts, as well as costs incurred in connection with certain licensing arrangements. Before a compound receives regulatory approval, we record upfront and

milestone payments made by us to third parties under licensing arrangements as expense. Upfront payments are recorded when incurred, and milestone payments are recorded when the specific milestone has been achieved. Once a compound receives regulatory approval, we record any milestone payments in *Identifiable intangible assets, less accumulated amortization* and, unless the asset is determined to have an indefinite life, we amortize the payments on a straight-line basis over the remaining agreement term or the expected product life cycle, whichever is shorter.

R&D expenses related to upfront and milestone payments for intellectual property rights totaled $1.4 billion in 2014, $203 million in 2013 and $371 million in 2012. For additional information, see *Note 2B and Note 2C*.

K. Amortization of Intangible Assets, Depreciation and Certain Long-Lived Assets

Long-lived assets include:

- *Property, plant and equipment, less accumulated depreciation*—These assets are recorded at cost and are increased by the cost of any significant improvements after purchase. Property, plant and equipment assets, other than land and construction in progress, are depreciated on a straight-line basis over the estimated useful life of the individual assets. Depreciation begins when the asset is ready for its intended use. For tax purposes, accelerated depreciation methods are used as allowed by tax laws.
- *Identifiable intangible assets, less accumulated amortization*—These acquired assets are recorded at cost. Intangible assets with finite lives are amortized on a straight-line basis over their estimated useful lives. Intangible assets with indefinite lives that are associated with marketed products are not amortized until a useful life can be determined. Intangible assets associated with IPR&D projects are not amortized until approval is obtained in a major market, typically either the U.S. or the European Union (EU), or in a series of other countries, subject to certain specified conditions and management judgment. The useful life of an amortizing asset generally is determined by identifying the period in which substantially all of the cash flows are expected to be generated.
- *Goodwill*—Goodwill represents the excess of the consideration transferred for an acquired business over the assigned values of its net assets. Goodwill is not amortized.

Amortization expense related to finite-lived acquired intangible assets that contribute to our ability to sell, manufacture, research, market and distribute products, compounds and intellectual property is included in *Amortization of intangible assets* as these intangible assets benefit multiple business functions. Amortization expense related to intangible assets that are associated with a single function and depreciation of property, plant and equipment are included in *Cost of sales, Selling, informational and administrative expenses* and/or *Research and development expenses,* as appropriate.

We review all of our long-lived assets for impairment indicators throughout the year. We perform impairment testing for indefinite-lived intangible assets and goodwill at least annually and for all other long-lived assets whenever impairment indicators are present. When necessary, we record charges for impairments of long-lived assets for the amount by which the fair value is less than the carrying value of these assets.

Specifically:

- For finite-lived intangible assets, such as developed technology rights, and for other long-lived assets, such as property, plant and equipment, whenever impairment indicators are present, we calculate the undiscounted value of the projected cash flows associated with the asset, or asset group, and compare this estimated amount to the carrying amount. If the carrying amount is found to be greater, we record an impairment loss for the excess of book value over fair value. In addition, in all cases of an impairment review, we re-evaluate the remaining useful lives of the assets and modify them, as appropriate.
- For indefinite-lived intangible assets, such as Brands and IPR&D assets, when necessary, we determine the fair value of the asset and record an impairment loss, if any, for the excess of book value over fair value. In addition, in all cases of an impairment review other than for IPR&D assets, we re-evaluate whether continuing to characterize the asset as indefinite-lived is appropriate.
- For goodwill, when necessary, we determine the fair value of each reporting unit and compare that value to its book value. If the carrying amount is found to be greater, we then determine the implied fair value of goodwill by subtracting the fair value of all the identifiable net assets other than goodwill from the fair value of the reporting unit and record an impairment loss, if any, for the excess of the book value of goodwill over the implied fair value.

Impairment reviews can involve a complex series of judgments about future events and uncertainties and can rely heavily on estimates and assumptions. For information about the risks associated with estimates and assumptions, see *Note 1C*.

L. Restructuring Charges and Certain Acquisition-Related Costs

We may incur restructuring charges in connection with acquisitions when we implement plans to restructure and integrate the acquired operations or in connection with our cost-reduction and productivity initiatives. Included in *Restructuring charges and certain acquisition-related costs* are all restructuring charges, as well as certain other costs associated with acquiring and integrating an acquired business. (If the restructuring action results in a change in the estimated useful life of an asset, that incremental impact is classified in *Cost of sales, Selling, informational and administrative expenses* and/or *Research and development expenses*, as appropriate). Termination costs are generally recorded when the actions are probable and estimable. Transaction costs, such as banking, legal, accounting and other costs incurred in connection with a business acquisition are expensed as incurred.

Amounts recorded for restructuring charges and other associated costs can result from a complex series of judgments about future events and uncertainties and can rely heavily on estimates and assumptions. For information about the risks associated with estimates and assumptions, see *Note 1C*.

M. Cash Equivalents and Statement of Cash Flows

Cash equivalents include items almost as liquid as cash, such as certificates of deposit and time deposits with maturity periods of three months or less when purchased. If items meeting this definition are part of a larger investment pool, we classify them as *Short-term investments*.

Cash flows associated with financial instruments designated as fair value or cash flow hedges may be included in operating, investing or financing activities, depending on the classification of the items being hedged. Cash flows associated with financial instruments designated as net investment hedges are classified according to the nature of the hedge instrument. Cash flows associated with financial instruments that do not qualify for hedge accounting treatment are classified according to their purpose and accounting nature.

N. Investments and Derivative Financial Instruments

Our investments are comprised of the following: trading securities, available-for-sale securities, held-to-maturity securities (when we have both the positive intent and ability to hold the investment to maturity) and private equity investments. The classification of an investment can depend on the nature of the investment, our intent and ability to hold the investment, and the degree to which we may exercise influence.

- Trading securities are carried at fair value, with changes in fair value reported in *Other (income)/deductions—net*.
- Available-for-sale debt and equity securities are carried at fair value, with changes in fair value reported in *Other comprehensive income/(loss)* until realized.
- Held-to-maturity debt securities are carried at amortized cost.
- Private equity securities are carried at equity-method or cost. For equity investments where we have significant influence over the financial and operating policies of the investee, we use the equity-method of accounting. Under the equity method, we record our share of the investee's income and expenses in *Other (income)/deductions—net*. The excess of the cost of the investment over our share of the equity of the investee as of the acquisition date is allocated to the identifiable assets of the investee, with any remaining excess amount allocated to goodwill. Such investments are initially recorded at cost, which typically does not include amounts of contingent consideration.

Realized gains or losses on sales of investments are determined by using the specific identification cost method.

We regularly evaluate all of our financial assets for impairment. For investments in debt and equity securities, when a decline in fair value, if any, is determined to be other-than-temporary, an impairment charge is recorded and a new cost basis in the investment is established.

Derivative financial instruments are carried at fair value in various balance sheet categories (see *Note 7A*), with changes in fair value reported in *Net income* or, for derivative financial instruments in certain qualifying hedging relationships, in *Other comprehensive income/(loss)* (see *Note 7E*).

A single estimate of fair value and impairment reviews can involve a complex series of judgments about future events and uncertainties and can rely heavily on estimates and assumptions. For information about the risks associated with estimates and assumptions, see *Note 1C.*

O. Deferred Tax Assets and Liabilities and Income Tax Contingencies

Deferred tax assets and liabilities are recognized for the expected future tax consequences of differences between the financial reporting and tax bases of assets and liabilities using enacted tax rates and laws. We provide a valuation allowance when we believe that our deferred tax assets are not recoverable based on an assessment of estimated future taxable income that incorporates ongoing, prudent and feasible tax-planning strategies, that would be implemented, if necessary, to realize the deferred tax assets. All current deferred tax assets and liabilities within the same tax jurisdiction are presented as a net amount and all noncurrent deferred tax assets and liabilities within the same tax jurisdiction are presented as a net amount.

We account for income tax contingencies using a benefit recognition model. If we consider that a tax position is more likely than not to be sustained upon audit, based solely on the technical merits of the position, we recognize the benefit. We measure the benefit by determining the amount that is greater than 50% likely of being realized upon settlement, presuming that the tax position is examined by the appropriate taxing authority that has full knowledge of all relevant information.

Under the benefit recognition model, if our initial assessment fails to result in the recognition of a tax benefit, we regularly monitor our position and subsequently recognize the tax benefit: (i) if there are changes in tax law, analogous case law or there is new information that sufficiently raise the likelihood of prevailing on the technical merits of the position to more-likely-than-not; (ii) if the statute of limitations expires; or (iii) if there is a completion of an audit resulting in a favorable settlement of that tax year with the appropriate agency. We regularly re-evaluate our tax positions based on the results of audits of federal, state and foreign income tax filings, statute of limitations expirations, changes in tax law or receipt of new information that would either increase or decrease the technical merits of a position relative to the more-likely-than-not standard. Liabilities associated with uncertain tax positions are classified as current only when we expect to pay cash within the next 12 months. Interest and penalties, if any, are recorded in *Provision for taxes on income* and are classified on our consolidated balance sheet with the related tax liability.

Amounts recorded for valuation allowances and income tax contingencies can result from a complex series of judgments about future events and uncertainties and can rely heavily on estimates and assumptions. For information about the risks associated with estimates and assumptions, see *Note 1C.*

P. Pension and Postretirement Benefit Plans

The majority of our employees worldwide are covered by defined benefit pension plans, defined contribution plans or both. In the U.S., we have both qualified and supplemental (non-qualified) defined benefit and defined contribution plans, as well as other postretirement benefit plans consisting primarily of healthcare and life insurance for retirees. We recognize the overfunded or underfunded status of each of our defined benefit plans as an asset or liability on our consolidated balance sheet. The obligations are generally measured at the actuarial present value of all benefits attributable to employee service rendered, as provided by the applicable benefit formula. Our pension and other postretirement obligations may include assumptions such as expected employee turnover and participant mortality. For our pension plans, the obligation may also include assumptions as to future compensation levels. For our other postretirement benefit plans, the obligation may include assumptions as to the expected cost of providing medical insurance benefits, as well as the extent to which those costs are shared with the employee or others (such as governmental programs). Plan assets are measured at fair value. Net periodic benefit costs are recognized, as required, into *Cost of sales, Selling, informational and administrative expenses* and/or *Research and development expenses*, as appropriate.

Amounts recorded for pension and postretirement benefit plans can result from a complex series of judgments about future events and uncertainties and can rely heavily on estimates and assumptions. For information about the risks associated with estimates and assumptions, see *Note 1C.*

Q. Legal and Environmental Contingencies

We and certain of our subsidiaries are subject to numerous contingencies arising in the ordinary course of business, such as patent litigation, product liability and other product-related litigation, commercial litigation, environmental claims and proceedings, government investigations and guarantees and indemnifications. We record accruals for these contingencies to the extent that we conclude that a loss is both probable and reasonably estimable. If some amount within a range of loss appears to be a better estimate than any other amount within the range, we accrue that amount. Alternatively, when no amount within a range of loss appears to be a better estimate than any other amount, we accrue the lowest amount in the range. We record anticipated recoveries under existing insurance contracts when recovery is assured.

Amounts recorded for contingencies can result from a complex series of judgments about future events and uncertainties and can rely heavily on estimates and assumptions. For information about the risks associated with estimates and assumptions, see *Note 1C.*

R. Share-Based Payments

Our compensation programs can include share-based payments. Generally, grants under share-based payment programs are accounted for at fair value and these fair values are generally amortized on a straight-line basis over the vesting terms into *Cost of sales, Selling, informational and administrative expenses* and/or *Research and development expenses*, as appropriate.

Amounts recorded for share-based compensation can result from a complex series of judgments about future events and uncertainties and can rely heavily on estimates and assumptions. For information about the risks associated with estimates and assumptions, see *Note 1C*.

Note 2. Acquisitions, Licensing Agreements, Collaborative Arrangements, Divestitures, and Equity-Method Investments

A. Acquisitions

InnoPharma, Inc. (InnoPharma)

On September 24, 2014, we completed our acquisition of InnoPharma, a privately-held pharmaceutical development company, for an upfront cash payment of $225 million and contingent consideration with an estimated acquisition-date fair value of approximately $67 million. The contingent consideration consists of up to $135 million in additional milestone payments based on application filing with and acceptance by the U.S. Food and Drug Administration (FDA), or approval of marketing applications related to certain pipeline products by the FDA. We believe this acquisition represents a potential innovative growth opportunity for our sterile injectables portfolio in areas such as oncology and central nervous disorders. In connection with this acquisition, we recorded $247 million in *Identifiable intangible assets*, consisting of $212 million in *IPR&D* and $35 million in *Developed technology rights*; $81 million in net deferred tax liabilities; and $125 million in *Goodwill*. The allocation of the consideration transferred to the assets acquired and the liabilities assumed has not been finalized.

NextWave Pharmaceuticals Incorporated (NextWave)

On November 27, 2012, we completed our acquisition of NextWave, a privately-held, specialty pharmaceutical company. As a result of this acquisition, we hold exclusive North American rights to Quillivant XR™ (methylphenidate hydrochloride), the first once-daily liquid medication approved in the U.S. for the treatment of attention deficit hyperactivity disorder. The total consideration for the acquisition was approximately $442 million, which consisted of upfront payments to NextWave's shareholders of approximately $278 million and contingent consideration with an estimated acquisition-date fair value of approximately $164 million. The contingent consideration consisted of up to $425 million in additional payments that are contingent upon attainment of certain revenue milestones. In connection with this acquisition, we recorded $519 million in *Identifiable intangible assets*, consisting of $474 million in *Developed technology rights* and $45 million in *IPR&D*; $166 million in net deferred tax liabilities; and $89 million in *Goodwill.* In 2014 and 2013, as a result of lowered commercial forecasts, the fair value of the contingent consideration decreased and we recognized pre-tax income of approximately $43 million and $114 million, respectively, in *Other (income)/deductions—net*.

Alacer Corp. (Alacer)

On February 26, 2012, we completed our acquisition of Alacer, a company that manufactured, marketed and distributed Emergen-C, a line of effervescent, powdered drink mix vitamin supplements. In connection with this Consumer Healthcare acquisition, we recorded $181 million in *Identifiable intangible assets*, consisting primarily of the Emergen-C indefinite-lived brand; $69 million in net deferred tax liabilities; and $192 million in *Goodwill*.

Ferrosan Holding A/S (Ferrosan)

On December 1, 2011, we completed our acquisition of the consumer healthcare business of Ferrosan, a Danish company engaged in the sale of science-based consumer healthcare products, including dietary supplements and lifestyle products, primarily in the Nordic region and the emerging markets of Russia and Central and Eastern Europe. This acquisition is reflected in our consolidated financial statements beginning in the first fiscal quarter of 2012. Our acquisition of Ferrosan's consumer healthcare business increases our presence in dietary supplements with a new set of brands and pipeline products. Also, we believed that the acquisition would allow us to expand the marketing of Ferrosan's brands through Pfizer's global footprint and provide greater distribution and scale for certain Pfizer brands, such as Centrum and Caltrate, in Ferrosan's key markets. In connection with this Consumer Healthcare acquisition, we recorded $362 million in *Identifiable intangible assets,* consisting of indefinite-lived and finite-lived brands; $94 million in net deferred tax liabilities; and $322 million in *Goodwill*.

B. Licensing Agreements

Cellectis SA (Cellectis)

On June 18, 2014, we entered into a global arrangement with Cellectis to develop Chimeric Antigen Receptor T-cell immunotherapies in the field of oncology directed at select cellular surface antigen targets. In August 2014, in connection with this licensing agreement, we made an upfront payment of $80 million to Cellectis, which was recorded in *Research and development expenses*. We will also fund research and development costs associated with 15 Pfizer-selected targets and, for the benefit of Cellectis, a portion of the research and development costs associated with four Cellectis-selected targets within the arrangement. Cellectis is eligible to receive development, regulatory and commercial milestone payments of up to $185 million per product that results from the Pfizer-selected targets. Cellectis is also eligible to receive tiered royalties on net sales of any products that are commercialized by Pfizer. In addition, in August 2014, we acquired approximately 10% of the capital of Cellectis through the purchase of newly issued shares, for a total investment of approximately $35 million.

Nexium Over-the-Counter Rights

In August 2012, we entered into an agreement with AstraZeneca PLC (AstraZeneca) for the exclusive, global, over-the-counter (OTC) rights for Nexium, a leading prescription drug approved to treat the symptoms of gastroesophageal reflux disease. In connection with this Consumer Healthcare licensing agreement, we made an upfront payment of $250 million to AstraZeneca, which was recorded in *Research and development expenses* in our consolidated statement of income for the year ended December 31, 2012. On May 27, 2014, we launched Nexium 24HR in the U.S., and on July 11, 2014, we paid AstraZeneca a related $200 million product launch milestone payment; and on August 1, 2014, we launched Nexium Control in Europe, and on September 15, 2014, we paid AstraZeneca a related $50 million product launch milestone payment. These post-approval milestone payments were recorded in *Identifiable intangible assets* in the consolidated balance sheet and are being amortized over the estimated useful life of the Nexium brand. AstraZeneca is eligible to receive additional milestone payments of up to $300 million, based on product launches outside the U.S. and level of worldwide sales as well as royalty payments, based on worldwide sales.

C. Collaborative Arrangements

In the normal course of business, we enter into collaborative arrangements with respect to in-line medicines, as well as medicines in development that require completion of research and regulatory approval. Collaborative arrangements are contractual agreements with third parties that involve a joint operating activity, typically a research and/or commercialization effort, where both we and our partner are active participants in the activity and are exposed to the significant risks and rewards of the activity. Our rights and obligations under our collaborative arrangements vary. For example, we have agreements to co-promote pharmaceutical products discovered by us or other companies, and we have agreements where we partner to co-develop and/or participate together in commercializing, marketing, promoting, manufacturing and/or distributing a drug product.

The following table provides the amounts and classification of payments (income/(expense)), between us and our collaboration partners:

	Year Ended December 31,		
(MILLIONS OF DOLLARS)	**2014**	2013	2012
Revenues—Revenues[a]	**$ 786**	$ 1,153	$ 1,640
Revenues—Alliance revenues[b]	**957**	2,628	3,492
Total revenues from collaborative arrangements	**1,743**	3,781	5,132
Cost of sales[c]	**(280)**	(333)	(362)
Selling, informational and administrative expenses[d]	**(268)**	(279)	(290)
Research and development expenses[e]	**(1,210)**	(73)	(74)
Other income/(deductions)—net[f]	**518**	103	(15)

[a] Represents sales to our partners of products manufactured by us.

[b] Substantially all relates to amounts earned from our partners under co-promotion agreements. The decline in 2014 and 2013 reflects declines in alliance revenues from Enbrel (as a result of the expiration of the co-promotion term of the collaboration agreement on October 31, 2013 in the U.S. and Canada) and Spiriva (as a result of the expiration of the co-promotion collaboration in the U.S. and certain European countries during 2014, combined with the expiration of the collaboration in Australia, Canada and certain other European countries during 2013).

[c] Primarily relates to royalties earned by our partners and cost of sales associated with inventory purchased from our partners.

[d] Represents net reimbursements to our partners for selling, informational and administrative expenses incurred.

[e] Primarily relates to upfront payments and pre-approval milestone payments earned by our partners as well as net reimbursements. The upfront and milestone payments were as follows: $1.2 billion in 2014 (related to collaboration with Merck KGaA, see below), $67 million in 2013 and $44 million in 2012.

[f] In 2014 and 2013, includes royalties earned on sales of Enbrel in the U.S. and Canada after October 31, 2013. On that date, the co-promotion term of the collaboration agreement for Enbrel in the U.S. and Canada expired, and we became entitled to royalties for a 36-month period thereafter.

The amounts disclosed in the above table do not include transactions with third parties other than our collaboration partners, or other costs associated with the products under the collaborative arrangements.

In addition, in connection with our collaborative arrangements, we paid post-approval milestones to collaboration partners of $80 million in 2014, $175 million in 2013 and $29 million in 2012. These payments were recorded in *Identifiable intangible assets—Developed technology rights*. We also received upfront and milestone payments from our collaboration partners of $128 million in 2013. These amounts were recorded in our consolidated balance sheets as deferred revenue and are being recognized into *Other (income)/deductions—net* over a multi-year period.

Collaboration with Merck KGaA

On November 17, 2014, we entered into a collaborative arrangement with Merck KGaA, to jointly develop and commercialize avelumab, an investigational anti-PD-L1 antibody currently in development as a potential treatment for multiple types of cancer. We and Merck KGaA will explore the therapeutic potential of this novel anti-PD-L1 antibody as a single agent, as well as in various combinations with our and Merck KGaA's broad portfolio of approved and investigational oncology therapies. Both companies will collaborate on up to 20 high priority immuno-oncology clinical development programs expected to commence in 2015. These clinical development programs include up to six trials (Phase 2 or 3) that could be pivotal for potential product registrations. We and Merck KGaA will also combine resources and expertise to advance our anti-PD-1 antibody into Phase 1 trials. Under the terms of the agreement, we made an upfront cash payment of $850 million to Merck KGaA and Merck KGaA is eligible to receive regulatory and commercial milestone payments of up to approximately $2.0 billion. Both companies will jointly fund all development and commercialization costs, and split equally any profits generated from selling any anti-PD-L1 or anti-PD-1 products from this collaboration. Also, as part of the agreement, we gave Merck KGaA certain co-promotion rights for Xalkori in the U.S. and several other key markets. In 2014, we recorded $1.2 billion of *Research and development expenses* associated with this collaborative arrangement, composed of the $850 million upfront cash payment as well as an additional amount of $309 million, reflecting the estimated fair value of the co-promotion rights given to Merck KGaA.

D. Divestitures

Animal Health Business—Zoetis Inc.

On June 24, 2013, we completed the full disposition of our Animal Health business. The full disposition was completed through a series of steps, including, in the first quarter of 2013, the formation of Zoetis and an initial public offering (IPO) of an approximate 19.8% interest in Zoetis and, in the second quarter of 2013, an exchange offer for the remaining 80.2% interest.

With respect to the formation and disposition of Zoetis, in 2013:

- Formation of Zoetis—On January 28, 2013, our then wholly owned subsidiary, Zoetis, issued $3.65 billion aggregate principal amount of senior notes. Also, on January 28, 2013, we transferred to Zoetis substantially all of the assets and liabilities of our Animal Health business in exchange for all of the Class A and Class B common stock of Zoetis, $1.0 billion of the $3.65 billion of Zoetis senior notes and an amount of cash equal to substantially all of the cash proceeds received by Zoetis from the remaining $2.65 billion of senior notes issued. The $1.0 billion of Zoetis senior notes received by Pfizer were exchanged by Pfizer for the retirement of Pfizer commercial paper issued in 2012, and the cash proceeds received by Pfizer of approximately $2.6 billion were used for dividends and stock buybacks.
- Initial Public Offering (19.8% Interest)—On February 6, 2013, an IPO of the Class A common stock of Zoetis was completed, pursuant to which we sold 99.015 million shares of Class A common stock of Zoetis (all of the Class A common stock, including shares sold pursuant to the underwriters' option to purchase additional shares, which was exercised in full) in exchange for the retirement of approximately $2.5 billion of Pfizer commercial paper issued in 2013. The Class A common stock sold in the IPO represented approximately 19.8% of the total outstanding Zoetis shares. The excess of the consideration received over the net book value of our divested interest was approximately $2.3 billion and was recorded in *Additional paid-in capital.*
- Exchange Offer (80.2% Interest)—On June 24, 2013, we exchanged all of our remaining interest in Zoetis, 400.985 million shares of Class A common stock of Zoetis (after converting all of our Class B common stock into Class A common stock, representing approximately 80.2% of the total outstanding Zoetis shares), for approximately 405.117 million outstanding shares of Pfizer common stock on a tax-free basis pursuant to an exchange offer made to Pfizer shareholders. The $11.4 billion of Pfizer common stock received in the exchange transaction was recorded in *Treasury stock* and was valued using the opening price of Pfizer common stock on June 24, 2013, the date we accepted the Zoetis shares for exchange. The gain on the sale of the remaining interest in Zoetis was approximately $10.3 billion, net of income taxes resulting from certain legal entity reorganizations, and was recorded in *Gain on disposal of discontinued operations—net of tax* in the consolidated statement of income for the year ended December 31, 2013.

In summary, as a result of the above transactions, we received cash and were relieved of debt obligations in the aggregate amount of approximately $6.1 billion and received shares of Pfizer common stock (held in *Treasury stock*) valued at approximately $11.4 billion.

The operating results of the animal health business through June 24, 2013, the date of disposal, are reported as *Income from discontinued operations—net of tax* in the consolidated statements of income.

In connection with the above transactions, we entered into a transitional services agreement (TSA) and manufacturing and supply agreements (MSAs) with Zoetis that are designed to facilitate the orderly transfer of business operations to the standalone Zoetis entity. The TSA relates primarily to administrative services, which are generally to be provided within 24 months. Under the MSAs, we will manufacture and supply certain animal health products to Zoetis for a transitional period of up to five years, with an ability to extend, if necessary, upon mutual agreement of both parties. These agreements are not material and none confers upon us the ability to influence the operating and/or financial policies of Zoetis subsequent to June 24, 2013, the date of disposal.

Nutrition Business

On November 30, 2012, we completed the sale of our Nutrition business to Nestlé for $11.85 billion in cash, and recognized a gain of approximately $4.8 billion, net of tax, in *Gain on disposal of discontinued operations—net of tax*. The operating results of this business through November 30, 2012, the date of disposal, are reported as *Income from discontinued operations—net of tax* in the consolidated statements of income.

The divested business includes:

- our former Nutrition operating segment and certain prenatal vitamins previously commercialized by our Consumer Healthcare business; and
- other associated amounts, such as direct manufacturing costs, enabling support functions and other costs not charged to the business, purchase-accounting impacts, acquisition-related costs, impairment charges, restructuring charges and implementation costs associated with our cost-reduction/productivity initiatives, all of which are reported outside our operating segment results.

While the full purchase price of $11.85 billion was received on November 30, 2012, the sale of the business was not completed in certain non-U.S. jurisdictions at that date as regulatory review of the transaction was not yet complete. In these jurisdictions, which represented a relatively small portion of the Nutrition business, we continued to operate the business on an interim basis pending regulatory approval or divestiture to a third-party buyer. Pursuant to these interim arrangements, Pfizer operated the business for the net economic benefit of Nestlé and was indemnified by Nestlé against any risk associated with such operations during the interim period. These agreements concluded with the sale of these operations in those jurisdictions in 2013. As Pfizer operated the business in those jurisdictions for the net economic benefit of Nestlé, we had already received all of the expected proceeds from the sale, and as Nestlé was contractually obligated to complete the transaction (or permit us to divest the delayed businesses to a third-party buyer on its behalf) regardless of the outcome of any pending regulatory reviews, we treated these delayed-close businesses as sold for accounting purposes on November 30, 2012.

In connection with the sale transaction, we also entered into certain transitional agreements designed to ensure and facilitate the orderly transfer of business operations to the buyer. These agreements primarily relate to administrative services, which were generally being provided for a period of 2 to 18 months. We are also manufacturing and supplying certain prenatal vitamin products for a transitional period. These agreements were not material and none conferred upon us the ability to influence the operating and/or financial policies of the Nutrition business subsequent to November 30, 2012, the date of disposal.

Total Discontinued Operations

The following table provides the components of *Discontinued operations—net of tax*:

	Year Ended December 31,[a]		
(MILLIONS OF DOLLARS)	**2014**	2013	2012
Revenues	**$ —**	$ 2,201	$ 6,587
Pre-tax income from discontinued operations[a], [b]	**(9)**	408	1,253
Provision for taxes on income[b], [c]	**(3)**	100	459
Income from discontinued operations—net of tax	**(6)**	308	794
Pre-tax gain on disposal of discontinued operations[b]	**51**	10,446	7,123
Provision for taxes on income[b], [d]	**(4)**	92	2,340
Gain on disposal of discontinued operations—net of tax[b]	**55**	10,354	4,783
Discontinued operations—net of tax	**$ 48**	$ 10,662	$ 5,577

[a] Includes the Animal Health (Zoetis) business through June 24, 2013, the date of disposal, and the Nutrition business through November 30, 2012, the date of disposal.

[b] Includes post-close adjustments for the periods subsequent to disposal.

[c] Includes a deferred tax benefit of $3 million for 2014, $23 million for 2013 and $23 million for 2012, which is net of a deferred tax expense of $42 million in 2012 related to investments in certain foreign subsidiaries resulting from our intention not to hold these subsidiaries indefinitely.

[d] For 2013, primarily reflects income tax expense of $122 million resulting from certain legal entity reorganizations. For 2012, includes a deferred tax expense of $1.4 billion, which includes a deferred tax expense of $2.2 billion on certain current-year funds earned outside the U.S. that will not be indefinitely reinvested overseas. For 2012, also includes a deferred tax benefit reflecting the reversal of net deferred tax liabilities associated with the divested Nutrition assets.

The net cash flows of our discontinued operations for each of the categories of operating, investing and financing activities are not significant for any period presented, except that (i) financing activities in 2013 include the cash proceeds from the issuance of senior notes by Zoetis and (ii) investing activities in 2012 include the cash proceeds from the sale of our Nutrition business.

E. Equity-Method Investments

Investment in Hisun Pfizer Pharmaceuticals Company Limited (Hisun Pfizer)

On September 6, 2012, we and Zhejiang Hisun Pharmaceuticals Co., Ltd., a leading pharmaceutical company in China, formed a new company, Hisun Pfizer, to develop, manufacture, market and sell pharmaceutical products, primarily branded generic products, predominately in China. Hisun Pfizer was established with registered capital of $250 million, of which our portion was $122.5 million. On January 1, 2013, both parties transferred selected employees to Hisun Pfizer and contributed, among other things, certain rights to commercialized products and products in development, intellectual property rights, and facilities, equipment and distribution/customer contracts. Our contributions in 2013 constituted a business, as defined by U.S. GAAP, and included, among other things, the China rights to certain commercialized products and other products not yet commercialized and all associated intellectual property rights. As a result of the contributions from both parties, Hisun Pfizer holds a broad portfolio of branded generics covering cardiovascular disease, infectious disease, oncology, mental health and other therapeutic areas. We hold a 49% equity interest in Hisun Pfizer.

We also entered into certain transition agreements designed to ensure and facilitate the orderly transfer of the business operations to Hisun Pfizer, primarily the Pfizer Products Transition Period Agreement and a related supply and promotional services agreement. These agreements provide for a profit margin on the manufacturing services provided by Pfizer to Hisun Pfizer and govern the supply, promotion and distribution of Pfizer products until Hisun Pfizer begins its own manufacturing and distribution. While intended to be transitional, these agreements may be extended by mutual agreement of the parties for several years and, possibly, indefinitely. These agreements are not material to Pfizer, and none confers upon us any additional ability to influence the operating and/or financial policies of Hisun Pfizer.

In connection with our contributions in the first quarter of 2013, we recognized a pre-tax gain of approximately $459 million in *Other (income)/deductions—net,* reflecting the transfer of the business to Hisun Pfizer (including an allocation of goodwill from our former Emerging Markets reporting unit as part of the carrying amount of the business transferred). Since we hold a 49% interest in Hisun Pfizer, we had an indirect retained interest in the contributed assets. As such, 49% of the gain, or $225 million, represents the portion of the gain associated with that indirect retained interest.

In valuing our investment in Hisun Pfizer (which includes the indirect retained interest in the contributed assets), we used discounted cash flow techniques, utilizing a 11.5% discount rate, reflecting our best estimate of the various risks inherent in the projected cash flows, and a nominal terminal year growth factor. Some of the more significant estimates and assumptions inherent in this approach include: the amount and timing of the projected net cash flows, which include the expected impact of competitive, legal and/or regulatory forces on the products; the long-term growth rate, which seeks to project the sustainable growth rate over the long-term; and the discount rate, which seeks to reflect the various risks inherent in the projected cash flows, including country risk.

We are accounting for our interest in Hisun Pfizer as an equity-method investment, due to the significant influence we have over the operations of Hisun Pfizer through our board representation, minority veto rights and 49% voting interest. Our investment in Hisun Pfizer is reported in *Long-term investments*, and our share of Hisun Pfizer's net income is recorded in *Other (income)/deductions—net.* As of December 31, 2014, the carrying value of our investment in Hisun Pfizer was approximately $1.4 billion, and the amount of our underlying equity in the net assets of Hisun Pfizer was approximately $780 million. As of December 31, 2013, the carrying value of our investment in Hisun Pfizer was approximately $1.4 billion, and the amount of our underlying equity in the net assets of Hisun Pfizer was approximately $770 million. The excess of the carrying value of our investment over our underlying equity in the net assets of Hisun Pfizer has been allocated, within the investment account, to goodwill and other intangible assets. The amount allocated to other intangible assets is being amortized into *Other (income)/deductions—net* over an average estimated useful life of 25 years.

Investment in ViiV Healthcare Limited (ViiV)

Our minority ownership interest in ViiV, a company formed in 2009 by Pfizer and GlaxoSmithKline plc to focus solely on research, development and commercialization of human immunodeficiency virus (HIV) medicines, was impacted by the following events:

- The January 21, 2014 European Commission approval of Tivicay (dolutegravir), a product for the treatment of HIV-1 infection, developed by ViiV. This approval triggered a reduction in our equity interest in ViiV from 12.6% to 11.7%, effective April 1, 2014. As a result, in 2014, we recognized a loss of approximately $30 million in *Other (income)/deductions—net*;
- The August 12, 2013 FDA approval of Tivicay (dolutegravir). This approval triggered a reduction in our interest in ViiV from 13.5% to 12.6% effective October 1, 2013. As a result, in 2013, we recognized a loss of approximately $32 million in *Other (income)/ deductions—net*; and
- The October 31, 2012 acquisition by ViiV of the remaining 50% of Shionogi-ViiV Healthcare LLC, its equity-method investee, from Shionogi & Co., Ltd. in consideration for a 10% interest in ViiV (newly issued shares) and contingent consideration in the form of future royalties. As a result of this transaction, ViiV recorded a gain associated with the step-up on the 50% interest previously held by ViiV. Also, our equity interest in ViiV was reduced from 15.0% to 13.5%. As a result of the above, in 2012 we recognized a gain of $44 million, which was recorded in *Other (income)/deductions—net*.

Investment in Laboratório Teuto Brasileiro S.A. (Teuto)

We have an option to acquire the remaining 60% of Teuto, a 40%-owned generics company in Brazil, through 2015, and Teuto's shareholders have an option to sell their 60% stake to us beginning in 2015. Our investment in Teuto is accounted for under the equity method due to the significant influence we have over the operations of Teuto through our board representation, minority veto rights and 40% voting interest.

- In 2014, we recorded income of approximately $55 million in *Other (income)/deductions—net,* resulting from a decline in the estimated loss from the net call/put option recorded in 2013 and an impairment loss of $56 million in *Other (income)/deductions—net* related to our equity method investment.
- In 2013, we recorded a loss of $223 million in *Other (income)/deductions—net* related to the net call/put option and an impairment loss of $32 million in *Other (income)/deductions—net* related to our equity-method investment.
- In 2012, we made a performance-based milestone payment to Teuto of $91.5 million, which was recorded as an additional investment in Teuto.

Note 3. Restructuring Charges and Other Costs Associated with Acquisitions and Cost-Reduction/Productivity Initiatives

We incur significant costs in connection with acquiring, integrating and restructuring businesses and in connection with our global cost-reduction/productivity initiatives. For example:

- In connection with acquisition activity, we typically incur costs associated with executing the transactions, integrating the acquired operations (which may include expenditures for consulting and the integration of systems and processes), and restructuring the combined company (which may include charges related to employees, assets and activities that will not continue in the combined company); and
- In connection with our cost-reduction/productivity initiatives, we typically incur costs and charges associated with site closings and other facility rationalization actions, workforce reductions and the expansion of shared services, including the development of global systems.

All of our businesses and functions may be impacted by these actions, including sales and marketing, manufacturing and research and development, as well as groups such as information technology, shared services and corporate operations.

At the end of 2013, we had substantially completed many of the initiatives launched in prior periods. In early 2014, we announced that we would be incurring costs in 2014-2016 related to new programs: our new global commercial structure reorganization and additional cost-reduction/productivity initiatives.

We have the following initiatives underway:

- Manufacturing plant network rationalization and optimization, where execution timelines are necessarily long. Our plant network strategy is expected to result in the exit of seven sites over the next several years. In connection with these activities, during 2014-2016, we expect to incur costs of approximately $300 million associated with prior acquisition activity and costs of approximately $1.5 billion associated with new non-acquisition-related cost-reduction initiatives. Through December 31, 2014, we incurred approximately $182 million and $292 million, respectively, associated with these initiatives.
- New global commercial structure reorganization, which primarily includes the streamlining of certain functions, the realignment of regional locations and colleagues to support the businesses, as well as implementing the necessary system changes to support future reporting requirements. In connection with this reorganization, during 2014-2016, we expect to incur costs of approximately $300 million. Through December 31, 2014, we incurred approximately $153 million associated with this initiative.
- Other new cost-reduction/productivity initiatives, primarily related to commercial property rationalization and consolidation. In connection with these cost-reduction activities, during 2014-2016, we expect to incur costs of approximately $850 million. Through December 31, 2014, we incurred approximately $154 million associated with this initiative.

The costs expected to be incurred during 2014-2016, of approximately $2.9 billion in total, include restructuring charges, integration costs, implementation costs and additional depreciation—asset restructuring. Of this amount, we expect that about a quarter of the charges will be non-cash.

Current-Period Key Activities

In 2014, we incurred approximately $781 million in cost-reduction and acquisition-related costs (excluding transaction costs) in connection with the aforementioned programs, primarily associated with our manufacturing and sales operations.

The following table provides the components of costs associated with acquisitions and cost-reduction/productivity initiatives:

	Year Ended December 31,		
(MILLIONS OF DOLLARS)	**2014**	2013	2012
Restructuring charges[a]:			
Employee terminations	**$ 68**	$ 805	$ 953
Asset impairments	**45**	165	325
Exit costs	**58**	68	150
Total restructuring charges	**170**	1,038	1,428
Transaction costs[b]	**—**	—	1
Integration costs[c]	**80**	144	381
Restructuring charges and certain acquisition-related costs	**250**	1,182	1,810
Additional depreciation—asset restructuring recorded in our consolidated statements of income as follows[d]:			
Cost of sales	**228**	178	257
Selling, informational and administrative expenses	**1**	19	20
Research and development expenses	**31**	94	296
Total additional depreciation—asset restructuring	**261**	291	573
Implementation costs recorded in our consolidated statements of income as follows[e]:			
Cost of sales	**78**	53	31
Selling, informational and administrative expenses	**140**	145	130
Research and development expenses	**52**	33	231
Other (income)/deductions—net	**1**	—	—
Total implementation costs	**270**	231	392
Total costs associated with acquisitions and cost-reduction/productivity initiatives	**$ 781**	$ 1,704	$ 2,775

[a] In 2014, *Employee terminations* represent the expected reduction of the workforce by approximately 1,700 employees, mainly in manufacturing and sales.

The restructuring charges in 2014 are associated with the following:

- Global Innovative Pharmaceutical segment (GIP) ($35 million); the Global Vaccines, Oncology and Consumer Healthcare segment (VOC) ($28 million); the Global Established Pharmaceutical segment (GEP) ($57 million); Worldwide Research and Development and Medical ($37 million); manufacturing operations ($97 million); and Corporate ($65 million), as well as $149 million of income related to the partial reversal of prior-period restructuring charges, that we are unable to directly associate with the new individual segments, and primarily reflecting a change in estimate with respect to our sales force restructuring plans.

The restructuring charges in 2013 are associated with the following:

- Total operating segments ($496 million); Worldwide Research and Development and Medical ($13 million); manufacturing operations ($356 million); and Corporate ($173 million).

  At the beginning of fiscal 2014, we revised our operating segments and are unable to directly associate these prior-period restructuring charges with the new individual segments.

The restructuring charges in 2012 are associated with the following:

- Total operating segments ($640 million); Worldwide Research and Development and Medical ($6 million income); manufacturing operations ($281 million); and Corporate ($513 million).

  At the beginning of fiscal 2014, we revised our operating segments and are unable to directly associate these prior-period restructuring charges with the new individual segments.

[b] Transaction costs represent external costs directly related to acquired businesses and primarily include expenditures for banking, legal, accounting and other similar services.

[c] Integration costs represent external, incremental costs directly related to integrating acquired businesses, and primarily include expenditures for consulting and the integration of systems and processes.

[d] Additional depreciation—asset restructuring represents the impact of changes in the estimated useful lives of assets involved in restructuring actions.

[e] Implementation costs represent external, incremental costs directly related to implementing our non-acquisition-related cost-reduction/productivity initiatives.

The following table provides the components of and changes in our restructuring accruals:

(MILLIONS OF DOLLARS)	Employee Termination Costs	Asset Impairment Charges	Exit Costs	Accrual
Balance, January 1, 2013	$ 1,734	$ —	$ 152	$ 1,886
Provision	805	165	68	1,038
Utilization and other[a]	(854)	(165)	(126)	(1,145)
Balance, December 31, 2013[b]	1,685	—	94	1,779
Provision	**68**	**45**	**58**	**170**
Utilization and other[a]	**(639)**	**(45)**	**(100)**	**(783)**
Balance, December 31, 2014[c]	**$ 1,114**	**$ —**	**$ 52**	**$ 1,166**

[a] Includes adjustments for foreign currency translation.
[b] Included in *Other current liabilities* ($1.0 billion) and *Other noncurrent liabilities* ($767 million).
[c] Included in *Other current liabilities* ($735 million) and *Other noncurrent liabilities* ($431 million).

Note 4. Other (Income)/Deductions—Net

The following table provides components of *Other (income)/deductions—net*:

	Year Ended December 31,		
(MILLIONS OF DOLLARS)	**2014**	2013	2012
Interest income[a]	**$ (425)**	$ (403)	$ (382)
Interest expense[a]	**1,360**	1,414	1,522
Net interest expense	**935**	1,011	1,140
Royalty-related income[b]	**(1,002)**	(523)	(451)
Patent litigation settlement income[c]	**—**	(1,342)	—
Other legal matters, net[d]	**993**	35	2,220
Gain associated with the transfer of certain product rights[e]	**—**	(459)	—
Net gains on asset disposals[f]	**(288)**	(320)	(52)
Certain asset impairments[g]	**469**	878	890
Business and legal entity alignment costs[h]	**168**	—	—
Costs associated with the Zoetis IPO[i]	**—**	18	125
Other, net[j]	**(265)**	170	150
Other (income)/deductions—net	**$ 1,009**	$ (532)	$ 4,022

[a] 2014 v. 2013—Interest income increased due to higher cash equivalents and investment balances. Interest expense decreased, primarily due to the benefit of the effective conversion of some fixed-rate liabilities to floating-rate liabilities. 2013 v. 2012—Interest income increased due to higher investment balances. Interest expense decreased due to lower outstanding debt, refinancings at lower rates, and the benefit of the effective conversion of some fixed-rate liabilities to floating-rate liabilities. Capitalized interest expense totaled $41 million in 2014, $32 million in 2013 and $41 million in 2012.

[b] Royalty-related income increased in 2014 and 2013 primarily due to royalties earned on sales of Enbrel in the U.S. and Canada after October 31, 2013. On that date, the co-promotion term of the collaboration agreement for Enbrel in the U.S. and Canada expired, and Pfizer became entitled to royalties for a 36-month period thereafter.

[c] In 2013, reflects income from a litigation settlement with Teva Pharmaceutical Industries Ltd. (Teva) and Sun Pharmaceutical Industries Ltd. (Sun) for patent-infringement damages resulting from their "at-risk" launches of generic Protonix in the U.S. As of December 31, 2014, all amounts due had been collected.

[d] In 2014, primarily includes approximately $610 million for Neurontin-related matters (including off-label promotion actions and antitrust actions), $400 million for an agreement in principle to resolve a securities class action pending against Pfizer in New York federal court, which is subject to court approval, and approximately $56 million for an Effexor-related matter, partially offset by $130 million of income from the reversal of two legal accruals where a loss is no longer deemed probable. For additional information, see *Note 17A*. In 2012, primarily includes a $491 million charge relating to the resolution of an investigation by the U.S. Department of Justice into Wyeth's historical promotional practices in connection with Rapamune, a $450 million settlement of a lawsuit by Brigham Young University related to Celebrex, and charges related to hormone-replacement therapy litigation and Chantix litigation.

[e] In 2013, represents the gain associated with the transfer of certain product rights to Hisun Pfizer. For additional information, see *Note 2E*.

[f] In 2014, primarily includes (i) gross realized gains on sales of available-for-sale equity securities of $76 million; (ii) gross realized gains on sales of available-for-sale debt securities of $138 million; (iii) gross realized losses on sales of available-for-sale debt securities of $436 million; (iv) net gain of $323 million from derivative financial instruments used to hedge the foreign exchange component of the divested available-for-sale debt securities; (v) gains on sales/out-licensing of product and compound rights of approximately $135 million; and (vi) gains on sales of investments in private equity securities of approximately $39 million. Proceeds from the sale of available-for-sale securities were $10.2 billion in 2014.

In 2013, primarily includes (i) gross realized gains on sales of available-for-sale equity securities of $87 million; (ii) gross realized gains on sales of available-for-sale debt securities of $442 million; (iii) gross realized losses on sales of available-for-sale debt securities of $310 million; (iv) net loss of $137 million from derivative financial instruments used to hedge the foreign exchange component of the divested available-for-sale debt securities; and (v) a gain of $170 million on the sale of various product rights, including a portion of our in-licensed generic sterile injectables portfolio. Proceeds from the sale of available-for-sale securities were $15.2 billion in 2013.

In 2012, primarily includes (i) gross realized gains on sales of available-for-sale equity securities of $2 million; (ii) gross realized gains on sales of available-for-sale debt securities of $212 million; (iii) gross realized losses on sales of available-for-sale debt securities of $535 million; and (iv) net gain of $351 million from derivative financial instruments used to hedge the foreign exchange component of the divested available-for-sale securities. Proceeds primarily from the sale of available-for-sale securities were $19.0 billion in 2012.

[g] In 2014, includes intangible asset impairment charges of $396 million, reflecting (i) $190 million for an IPR&D compound for the treatment of skin fibrosis (full write-off); (ii) $159 million for developed technology rights, primarily related to Quillivant XR; and (iii) $47 million for indefinite-lived brands. The intangible asset impairment charges for 2014 are associated with the following: the Global Innovative Pharmaceutical segment ($12 million); Global Established Pharmaceutical segment ($166 million); Worldwide Research and Development ($190 million); and Consumer Healthcare ($28 million). In addition, 2014 includes an impairment charge of approximately $56 million related to our investment in Teuto.

The intangible asset impairment charges for 2014 reflect, among other things, updated commercial forecasts; and with regard to IPR&D, the impact of changes to the development program and new scientific findings.

In 2013, includes intangible asset impairment charges of $803 million, reflecting (i) $394 million of developed technology rights (for use in the development of bone and cartilage) acquired in connection with our acquisition of Wyeth; (ii) $227 million related to IPR&D compounds; (iii) $109 million of indefinite-lived brands, primarily related to our biopharmaceutical indefinite-lived brand Xanax/Xanax XR; and (iv) $73 million of other finite-lived intangible assets, related to platform technology, that no longer have an alternative future use. The intangible asset impairment charges for 2013 are associated with the following: the Global Innovative Pharmaceutical segment ($448 million); the Global Established Pharmaceutical segment ($201 million); Worldwide Research and Development ($140 million); and Consumer Healthcare ($14 million). In addition, 2013 includes an impairment charge of approximately $43 million for certain private company investments and an impairment charge of $32 million related to our investment in Teuto.

The intangible asset impairment charges for 2013 reflect, among other things, updated commercial forecasts and, with regard to IPR&D, also reflect the impact of new scientific findings and delayed launch dates.

In 2012, includes intangible asset impairment charges of $835 million, reflecting (i) $393 million of IPR&D assets, primarily related to compounds that targeted autoimmune and inflammatory diseases (full write-off) and, to a lesser extent, compounds related to pain treatment; (ii) $175 million related to our Consumer Healthcare indefinite-lived brand assets, primarily Robitussin, a cough suppressant; (iii) $242 million related to developed technology rights, a charge composed of impairments of various products, none of which individually exceeded $45 million; and (iv) $25 million of finite-lived brands. The impairment charges in 2012

are associated with the following: Worldwide Research and Development ($303 million); Consumer Healthcare ($200 million); the Global Innovative Pharmaceutical segment ($173 million); and the Global Established Pharmaceutical segment ($159 million). In addition, in 2012, also includes charges of approximately $55 million for certain investments. These investment impairment charges reflect the difficult global economic environment.

The intangible asset impairment charges for 2012 reflect, among other things, the impact of new scientific findings, updated commercial forecasts, changes in pricing, an increased competitive environment and litigation uncertainties regarding intellectual property.

(h) Represents expenses for planning and implementing changes to our infrastructure to operate our new business segments.

(i) Represents costs incurred in connection with the IPO of an approximate 19.8% ownership interest in Zoetis. Includes expenditures for banking, legal, accounting and similar services. For additional information, see *Note 2D*.

(j) Includes the following: (i) in 2014, the gain of approximately $43 million reflecting the change in the fair value of the contingent consideration associated with our acquisition of NextWave and the gain of approximately $89 million reflecting the change in the fair value of the contingent consideration associated with our acquisition of Excaliard Pharmaceuticals, Inc., and in 2013, the gain of approximately $114 million, reflecting the change in the fair value of the contingent consideration associated with our acquisition of NextWave; (ii) in 2013, an estimated loss of $223 million related to an option to acquire the remaining interest in Teuto, and in 2014, income of $55 million resulting from a decline in the estimated loss from the aforementioned option; and (iii) in 2014, a loss of $30 million due to a change in our ownership interest in ViiV, in 2013, a loss of $32 million due to a change in our ownership interest in ViiV and in 2012, a gain of $44 million as a result of ViiV's transaction with Shionogi & Co., Ltd and the resulting change in ownership. For additional information concerning NextWave, see *Note 2A*. For additional information concerning Teuto and ViiV, see *Note 2E*.

The asset impairment charges included in *Other (income)/deductions—net* in 2014 virtually all relate to identifiable intangible assets and are based on estimates of fair value.

The following table provides additional information about the intangible assets that were impaired during 2014 in *Other (income)/deductions—net* :

	Fair Value[a]				Year Ended December 31, **2014**
(MILLIONS OF DOLLARS)	Amount	Level 1	Level 2	Level 3	Impairment
Intangible assets—IPR&D[b]	**$ —**	**$ —**	**$ —**	**$ —**	**$ 190**
Intangible assets—Developed technology rights[b]	**233**	**—**	**—**	**233**	**159**
Intangible assets—Indefinite-lived Brands[b]	**293**	**—**	**—**	**293**	**47**
Total	**$ 526**	**$ —**	**$ —**	**$ 526**	**$ 396**

(a) The fair value amount is presented as of the date of impairment, as these assets are not measured at fair value on a recurring basis. See also *Note 1E*.

(b) Reflects intangible assets written down to fair value in 2014. Fair value was determined using the income approach, specifically the multi-period excess earnings method, also known as the discounted cash flow method. We started with a forecast of all the expected net cash flows associated with the asset and then we applied an asset-specific discount rate to arrive at a net present value amount. Some of the more significant estimates and assumptions inherent in this approach include: the amount and timing of the projected net cash flows, which includes the expected impact of competitive, legal and/or regulatory forces on the product and the impact of technological risk associated with IPR&D assets; the discount rate, which seeks to reflect the various risks inherent in the projected cash flows; and the tax rate, which seeks to incorporate the geographic diversity of the projected cash flows.

Note 5. Tax Matters

A. Taxes on Income from Continuing Operations

The following table provides the components of *Income from continuing operations before provision for taxes on income*:

	Year Ended December 31,		
(MILLIONS OF DOLLARS)	**2014**	2013	2012
United States	**$ (4,744)**	$ (1,678)	$ (5,148)
International	**16,984**	17,394	16,390
Income from continuing operations before provision for taxes on income[a], [b]	**$ 12,240**	$ 15,716	$ 11,242

(a) 2014 v. 2013—The increase in the domestic loss was primarily due to lower revenues, the non-recurrence of income from a litigation settlement in 2013 with Teva and Sun for patent-infringement damages resulting from their "at-risk" launches of generic Protonix in the U.S., higher charges related to other legal matters, a non-tax deductible charge in the third quarter of 2014 to account for an additional year of the Branded Prescription Drug Fee in accordance with final regulations issued by the U.S. Internal Revenue Service (IRS), higher research and development expenses, and higher charges for business and legal entity alignment costs, partially offset by lower amortization of intangible assets, lower restructuring charges and other costs associated with acquisitions and cost-reduction/productivity initiatives, and lower asset impairments. The decrease in international income is primarily related to lower revenues, the non-recurrence of the gain associated with the transfer of certain product rights to Pfizer's equity-method investment in China (Hisun Pfizer) in 2013, and higher research and development expenses, partially offset by lower amortization of intangible assets, lower restructuring charges and other costs associated with acquisitions and cost-reduction/productivity initiatives and the non-recurrence of certain charges.

(b) 2013 v. 2012—The decrease in the domestic loss was primarily due to income from a litigation settlement in the second quarter of 2013 with Teva and Sun for patent-infringement damages resulting from their "at-risk" launches of generic Protonix in the U.S., lower charges related to other legal matters, lower restructuring charges and other costs associated with acquisitions and cost-reduction/productivity initiatives, partially offset by lower revenues. The increase in international income is primarily related to the gain associated with the transfer of certain product rights to Hisun Pfizer in 2013, lower charges related to other legal matters, lower restructuring charges and other costs associated with acquisitions and cost-reduction/productivity initiatives and lower amortization of intangible assets, partially offset by lower revenues and higher asset impairments and other charges.

The following table provides the components of *Provision for taxes on income* based on the location of the taxing authorities:

(MILLIONS OF DOLLARS)	Year Ended December 31, 2014	2013	2012
United States			
Current income taxes:			
Federal	**$ 393**	$ 142	$ (941)
State and local	**85**	(106)	(54)
Deferred income taxes:			
Federal	**725**	2,124	869
State and local	**(256)**	(33)	(339)
Total U.S. tax provision/(benefit)	**948**	2,127	(465)
International			
Current income taxes	**2,321**	2,544	2,430
Deferred income taxes	**(149)**	(365)	256
Total international tax provision	**2,172**	2,179	2,686
Provision for taxes on income	**$ 3,120**	$ 4,306	$ 2,221

In 2014, the *Provision for taxes on income* was impacted by the following:

- U.S. tax expense of approximately $2.2 billion as a result of providing U.S. deferred income taxes on certain funds earned outside the U.S. that will not be indefinitely reinvested overseas, virtually all of which were earned in the current year (see *Note 5C*);
- Tax benefits of approximately $350 million, representing tax and interest, resulting from the resolution of certain tax positions pertaining to prior years, primarily with various foreign tax authorities, and from the expiration of certain statutes of limitations;
- The favorable impact of the decline in the non-tax deductible loss recorded in 2013 related to an option to acquire the remaining interest in Teuto, since we expect to retain the investment indefinitely;
- The extension of the U.S. R&D tax credit, which was signed into law in December 2014; and
- The non-deductibility of a $362 million fee payable to the federal government as a result of the Patient Protection and Affordable Care Act, as amended by the Health Care and Education Reconciliation Act (U.S. Healthcare Legislation).

In 2013, the *Provision for taxes on income* was impacted by the following:

- U.S. tax expense of approximately $2.3 billion as a result of providing U.S. deferred income taxes on certain funds earned outside the U.S. that will not be indefinitely reinvested overseas, virtually all of which were earned in the current year (see *Note 5C*);
- U.S. tax benefits of approximately $430 million, representing tax and interest, resulting from a multi-year settlement with the IRS with respect to audits of the Wyeth tax returns for the years 2006 through date of acquisition, and international tax benefits of approximately $470 million, representing tax and interest, resulting from the resolution of certain tax positions pertaining to prior years with various foreign tax authorities, and from the expiration of certain statutes of limitations;
- The unfavorable tax rate associated with the $1.3 billion of patent litigation settlement income;
- The non-deductibility of the $292 million of goodwill derecognized and the jurisdictional mix of the other intangible assets divested as part of the transfer of certain product rights to Hisun Pfizer;
- The non-deductibility of the $223 million loss on an option to acquire the remaining interest in Teuto, since we expect to retain the investment indefinitely, and the non-deductibility of a $32 million impairment charge related to our equity-method investment in Teuto;
- The extension of the U.S. R&D tax credit (resulting in the full-year benefit of the 2012 and 2013 U.S. R&D tax credit being recorded in 2013); and
- The non-deductibility of a $280 million fee payable to the federal government as a result of the U.S. Healthcare Legislation.

In 2012, the *Provision for taxes on income* was impacted by the following:

- U.S. tax expense of approximately $2.2 billion as a result of providing U.S. deferred income taxes on certain current-year funds earned outside the U.S. that will not be indefinitely reinvested overseas (see *Note 5C)*;
- U.S. tax benefits of approximately $1.1 billion, representing tax and interest, resulting from a multi-year settlement with the IRS with respect to audits of the Pfizer Inc. tax returns for the years 2006 through 2008, and international tax benefits of approximately $310 million, representing tax and interest, resulting from the resolution of certain tax positions pertaining to prior years with various foreign tax authorities, and from the expiration of certain statutes of limitations;
- The non-deductibility of a $336 million fee payable to the federal government as a result of the U.S. Healthcare Legislation;
- The non-deductibility of the $491 million legal charge associated with Rapamune litigation (see also *Note 4*); and
- The expiration of the U.S. R&D tax credit on December 31, 2011.

In all years, federal, state and international net tax liabilities assumed or established as part of a business acquisition are not included in *Provision for taxes on income* (see *Note 2A*).

B. Tax Rate Reconciliation

The reconciliation of the U.S. statutory income tax rate to our effective tax rate for *Income from continuing operations* follows:

	Year Ended December 31,		
	2014	2013	2012
U.S. statutory income tax rate	**35.0 %**	35.0 %	35.0 %
Taxation of non-U.S. operations[a], [b], [c]	**(7.4)**	(2.5)	(3.5)
Tax settlements and resolution of certain tax positions[d]	**(2.9)**	(5.7)	(12.8)
U.S. Healthcare Legislation[d]	**1.0**	0.6	1.0
U.S. R&D tax credit and manufacturing deduction[d]	**(0.9)**	(0.8)	(0.3)
Certain legal settlements and charges[d]	**—**	(0.2)	1.5
All other, net	**0.5**	1.0	(1.1)
Effective tax rate for income from continuing operations	**25.5 %**	27.4 %	19.8 %

[a] For taxation of non-U.S. operations, this rate impact reflects the income tax rates and relative earnings in the locations where we do business outside the U.S., together with the cost of repatriation decisions, as well as changes in uncertain tax positions not included in the reconciling item called "Tax settlements and resolution of certain tax positions". Specifically: (i) the jurisdictional location of earnings is a significant component of our effective tax rate each year as tax rates outside the U.S. are generally lower than the U.S. statutory income tax rate, and the rate impact of this component is influenced by the specific location of non-U.S. earnings and the level of such earnings as compared to our total earnings; (ii) the cost of repatriation decisions, and other U.S. tax implications of our foreign operations, is a significant component of our effective tax rate each year and generally offsets some of the reduction to our effective tax rate each year resulting from the jurisdictional location of earnings; and (iii) the impact of changes in uncertain tax positions not included in the reconciling item called "Tax settlements and resolution of certain tax positions" is a component of our effective tax rate each year that can result in either an increase or decrease to our effective tax rate. The jurisdictional mix of earnings, which includes the impact of the location of earnings as well as repatriation costs, can vary as a result of the repatriation decisions, as a result of operating fluctuations in the normal course of business and as a result of the extent and location of other income and expense items, such as restructuring charges, asset impairments and gains and losses on strategic business decisions. See also *Note 5A* for the components of pre-tax income and *Provision for taxes on income,* which is based on the location of the taxing authorities, and for information about settlements and other items impacting *Provision for taxes on income*.

[b] In all periods presented, the reduction in our effective tax rate resulting from the jurisdictional location of earnings is largely due to generally lower tax rates, as well as manufacturing and other incentives associated with our subsidiaries in Puerto Rico and Singapore. We benefit from a Puerto Rican incentive grant that expires in 2029. Under the grant, we are partially exempt from income, property and municipal taxes. In Singapore, we benefit from incentive tax rates effective through 2031 on income from manufacturing and other operations.

[c] The favorable rate impact in 2014 also includes the decline in the non-tax deductible loss recorded in 2013 related to an option to acquire the remaining interest in Teuto, since we expect to retain the investment indefinitely. The rate impact in 2013 also includes the non-deductibility of the goodwill derecognized and the jurisdictional mix of the other intangible assets divested as part of the transfer of certain product rights to Hisun Pfizer, and the non-deductibility of the loss on an option to acquire the remaining interest in Teuto, since we expect to retain the investment indefinitely, and the non-deductibility of an impairment charge related to our equity-method investment in Teuto. For additional information, see *Note 2E*.

[d] For a discussion about tax settlements and resolution of certain tax positions, the impact of U.S. Healthcare Legislation, the U.S. R&D tax credit and the impact of certain legal settlements and charges, see *Note 5A*. The extension of the U.S. R&D tax credit in January 2013 resulted in the full-year benefit of the 2012 and 2013 U.S. R&D tax credit being recorded in 2013.

C. Deferred Taxes

Deferred taxes arise as a result of basis differentials between financial statement accounting and tax amounts.

The components of our deferred tax assets and liabilities, shown before jurisdictional netting, follow:

	2014 Deferred Tax		2013 Deferred Tax	
(MILLIONS OF DOLLARS)	Assets	(Liabilities)	Assets	(Liabilities)
Prepaid/deferred items	**$ 1,995**	**$ (53)**	$ 1,913	$ (134)
Inventories	**219**	**(56)**	277	(217)
Intangible assets	**969**	**(9,224)**	892	(10,331)
Property, plant and equipment	**174**	**(1,242)**	376	(1,390)
Employee benefits	**3,950**	**(154)**	3,154	(77)
Restructurings and other charges	**114**	**(28)**	453	(237)
Legal and product liability reserves	**1,010**	**—**	904	—
Net operating loss/tax credit carryforwards[a]	**2,918**	**—**	2,043	—
Unremitted earnings[b]	**—**	**(21,174)**	—	(19,399)
State and local tax adjustments	**295**	**—**	297	—
All other	**283**	**(783)**	249	(448)
	11,927	**(32,714)**	10,558	(32,233)
Valuation allowances	**(1,615)**	**—**	(1,288)	—
Total deferred taxes	**$ 10,312**	**$ (32,714)**	$ 9,270	$ (32,233)
Net deferred tax liability[c], [d]		**$ (22,402)**		$ (22,963)

[a] The amounts in 2014 and 2013 are reduced for unrecognized tax benefits of $2.6 billion and $2.3 billion, respectively, where we have net operating loss carryforwards, similar tax losses, and/or tax credit carryforwards that are available, under the tax law of the applicable jurisdiction, to settle any additional income taxes that would result from the disallowance of a tax position.

[b] The increase in 2014 reflects additional accruals for certain funds earned outside the U.S. that will not be indefinitely reinvested overseas, virtually all of which were earned in the current year. For additional information, see *Note 5A*.

[c] The net deferred tax liability position decreased, reflecting an increase in noncurrent deferred tax assets related to net operating loss and tax credit carryforwards, an increase in current deferred tax assets related to product liability reserves due to settlements, an increase in noncurrent deferred tax assets related to employee benefits, and a decrease in noncurrent deferred tax liabilities resulting from the amortization of identifiable intangible assets, partially offset by the increase in noncurrent deferred tax liabilities related to unremitted earnings.

[d] In 2014, included in *Current deferred tax assets and other current tax assets* ($2.1 billion), *Noncurrent deferred tax assets and other noncurrent tax assets* ($515 million), *Other current liabilities* ($43 million) and *Noncurrent deferred tax liabilities* ($25.0 billion). In 2013, included in *Current deferred tax assets and other current tax assets* ($2.1 billion), *Noncurrent deferred tax assets and other noncurrent tax assets* ($569 million), *Other current liabilities* ($52 million) and *Noncurrent deferred tax liabilities* ($25.6 billion).

We have carryforwards, primarily related to foreign tax credits, net operating and capital losses and charitable contributions, which are available to reduce future U.S. federal and state, as well as international, income taxes payable with either an indefinite life or expiring at various times from 2015 to 2034. Certain of our U.S. net operating losses are subject to limitations under Internal Revenue Code Section 382.

Valuation allowances are provided when we believe that our deferred tax assets are not recoverable based on an assessment of estimated future taxable income that incorporates ongoing, prudent and feasible tax planning strategies, that would be implemented, if necessary, to realize the deferred tax assets.

As of December 31, 2014, we have not made a U.S. tax provision on approximately $74.0 billion of unremitted earnings of our international subsidiaries. As these earnings are intended to be indefinitely reinvested overseas, the determination of a hypothetical unrecognized deferred tax liability as of December 31, 2014, is not practicable.

D. Tax Contingencies

We are subject to income tax in many jurisdictions, and a certain degree of estimation is required in recording the assets and liabilities related to income taxes. All of our tax positions are subject to audit by the local taxing authorities in each tax jurisdiction. These tax audits can involve complex issues, interpretations and judgments and the resolution of matters may span multiple years, particularly if subject to negotiation or litigation. Our assessments are based on estimates and assumptions that have been deemed reasonable by management, but our estimates of unrecognized tax benefits and potential tax benefits may not be representative of actual outcomes, and variation from such estimates could materially affect our financial statements in the period of settlement or when the statutes of limitations expire, as we treat these events as discrete items in the period of resolution.

For a description of our accounting policies associated with accounting for income tax contingencies, see *Note 1O*. For a description of the risks associated with estimates and assumptions, see *Note 1C*.

Uncertain Tax Positions

As tax law is complex and often subject to varied interpretations, it is uncertain whether some of our tax positions will be sustained upon audit. As of December 31, 2014 and 2013, we had approximately $4.7 billion and $4.4 billion, respectively, in net unrecognized tax benefits, excluding associated interest.

- Tax assets associated with uncertain tax positions primarily represent our estimate of the potential tax benefits in one tax jurisdiction that could result from the payment of income taxes in another tax jurisdiction. These potential benefits generally result from cooperative efforts among taxing authorities, as required by tax treaties to minimize double taxation, commonly referred to as the competent authority process and from foreign tax credits that would be generated upon settlement of an uncertain tax position. The recoverability of these assets, which we believe to be more likely than not, is dependent upon the actual payment of taxes in one tax jurisdiction and, in some cases, the successful petition for recovery in another tax jurisdiction. As of December 31, 2014 and 2013, we had approximately $1.5 billion and $1.7 billion, respectively, in assets associated with uncertain tax positions. In 2014, these amounts were included in *Noncurrent deferred tax assets and other noncurrent tax assets* ($966 million) and *Noncurrent deferred tax liabilities* ($527 million). In 2013, these amounts were included in *Noncurrent deferred tax assets and other noncurrent tax assets* ($926 million) and *Noncurrent deferred tax liabilities* ($766 million).
- Tax liabilities associated with uncertain tax positions represent unrecognized tax benefits, which arise when the estimated benefit recorded in our financial statements differs from the amounts taken or expected to be taken in a tax return because of the uncertainties described above. These unrecognized tax benefits relate primarily to issues common among multinational corporations. Substantially all of these unrecognized tax benefits, if recognized, would impact our effective income tax rate.

The reconciliation of the beginning and ending amounts of gross unrecognized tax benefits follows:

(MILLIONS OF DOLLARS)	**2014**	2013	2012
Balance, beginning	**$ (6,087)**	$ (6,315)	$ (7,309)
Divestitures[a]	**—**	29	85
Increases based on tax positions taken during a prior period[b]	**(110)**	(205)	(139)
Decreases based on tax positions taken during a prior period[b], [c]	**473**	876	1,442
Decreases based on settlements for a prior period[d]	**70**	571	647
Increases based on tax positions taken during the current period[b]	**(795)**	(1,178)	(1,125)
Impact of foreign exchange	**161**	38	78
Other, net[b], [e]	**106**	97	6
Balance, ending[f]	**$ (6,182)**	$ (6,087)	$ (6,315)

[a] Primarily relates to the sales of our Nutrition and Animal Health (Zoetis) businesses. See also *Note 2D.*

[b] Primarily included in *Provision for taxes on income.*

[c] Primarily related to effectively settling certain tax positions with the U.S. and foreign tax authorities. See also *Note 5A.*

[d] Primarily related to cash payments.

[e] Includes decreases as a result of a lapse of applicable statutes of limitations.

[f] In 2014, included in *Income taxes payable* ($13 million), *Current deferred tax assets and other current tax assets* ($59 million), *Noncurrent deferred tax assets and other noncurrent tax assets* ($165 million), *Current deferred tax liabilities* ($13 million), *Noncurrent deferred tax liabilities* ($2.4 billion) and *Other taxes payable* ($3.5 billion). In 2013, included in *Income taxes payable* ($51 million), *Current deferred tax assets and other current tax assets* ($63 million), *Noncurrent deferred tax assets and other noncurrent tax assets* ($241 million), *Noncurrent deferred tax liabilities* ($2.3 billion) and *Other taxes payable* ($3.4 billion).

- Interest related to our unrecognized tax benefits is recorded in accordance with the laws of each jurisdiction and is recorded in *Provision for taxes on income* in our consolidated statements of income. In 2014, we recorded net interest expense of $40 million. In 2013, we recorded net interest income of $16 million primarily as a result of settling certain tax positions with the U.S. and various foreign tax authorities; and in 2012, we recorded net interest income of $120 million primarily as a result of settling certain tax positions with the U.S. and various foreign tax authorities. Gross accrued interest totaled $643 million as of December 31, 2014 (reflecting a decrease of approximately $18 million as a result of cash payments) and gross accrued interest totaled $621 million as of December 31, 2013 (reflecting a decrease of approximately $120 million as a result of cash payments). In 2014, these amounts were included in *Current deferred tax assets and other current tax asset*s ($15 million) and *Other taxes payable* ($628 million). In 2013, these amounts were included in *Income taxes payable* ($14 million) and *Current deferred tax assets and other current tax assets* ($12 million) and *Other taxes payable* ($595 million). Accrued penalties are not significant. See also *Note 5A.*

Status of Tax Audits and Potential Impact on Accruals for Uncertain Tax Positions

The U.S. is one of our major tax jurisdictions, and we are regularly audited by the IRS:

- With respect to Pfizer Inc., tax years 2009-2013 are currently under audit. Tax year 2014 is open, but not under audit. All other tax years are closed.

In addition to the open audit years in the U.S., we have open audit years in other major tax jurisdictions, such as Canada (2004-2014), Japan (2013-2014), Europe (2007-2014, primarily reflecting Ireland, the United Kingdom, France, Italy, Spain and Germany), Latin America (1998-2014, primarily reflecting Brazil) and Puerto Rico (2009-2014).

Any settlements or statutes of limitations expirations could result in a significant decrease in our uncertain tax positions. We estimate that it is reasonably possible that within the next twelve months, our gross unrecognized tax benefits, exclusive of interest, could decrease by as much

as $100 million, as a result of settlements with taxing authorities or the expiration of the statutes of limitations. Our assessments are based on estimates and assumptions that have been deemed reasonable by management, but our estimates of unrecognized tax benefits and potential tax benefits may not be representative of actual outcomes, and variation from such estimates could materially affect our financial statements in the period of settlement or when the statutes of limitations expire, as we treat these events as discrete items in the period of resolution. Finalizing audits with the relevant taxing authorities can include formal administrative and legal proceedings, and, as a result, it is difficult to estimate the timing and range of possible changes related to our uncertain tax positions, and such changes could be significant.

E. Tax Provision/(Benefit) on Other Comprehensive Income/(Loss)

The following table provides the components of the tax provision/(benefit) on *Other comprehensive income/(loss)*:

	Year Ended December 31,		
(MILLIONS OF DOLLARS)	**2014**	2013	2012
Foreign currency translation adjustments[a]	**$ 42**	$ 111	$ 110
Unrealized holding gains on derivative financial instruments, net	**(199)**	217	251
Reclassification adjustments for realized (gains)/losses	**262**	(63)	(144)
	63	154	107
Unrealized holding gains/(losses) on available-for-sale securities, net	**(56)**	57	15
Reclassification adjustments for realized (gains)/losses	**10**	(57)	47
	(46)	—	62
Benefit plans: actuarial gains/(losses), net	**(1,416)**	1,422	(721)
Reclassification adjustments related to amortization	**61**	205	171
Reclassification adjustments related to settlements, net	**35**	2	105
Other	**61**	2	15
	(1,258)	1,631	(430)
Benefit plans: prior service credits and other, net	**281**	56	7
Reclassification adjustments related to amortization	**(28)**	(23)	(27)
Reclassification adjustments related to curtailments, net	**—**	(1)	(51)
Other	**(1)**	—	(3)
	253	32	(74)
Tax provision/(benefit) on other comprehensive income/(loss)	**$ (946)**	$ 1,928	$ (225)

[a] Taxes are not provided for foreign currency translation adjustments relating to investments in international subsidiaries that will be held indefinitely.

Note 6. Accumulated Other Comprehensive Loss, Excluding Noncontrolling Interests

The following table provides the changes, net of tax, in *Accumulated other comprehensive income/(loss)*:

	Net Unrealized Gain/(Losses)			Benefit Plans		
(MILLIONS OF DOLLARS)	Foreign Currency Translation Adjustments	Derivative Financial Instruments	Available-For-Sale Securities	Actuarial Gains/(Losses)	Prior Service (Costs)/ Credits and Other	Accumulated Other Comprehensive Income/(Loss)
Balance, January 1, 2012	$ 944	$ (183)	$ (132)	$ (5,120)	$ 362	$ (4,129)
Other comprehensive income/(loss)[a]	(1,121)	22	368	(990)	(103)	(1,824)
Balance, December 31, 2012	(177)	(161)	236	(6,110)	259	(5,953)
Other comprehensive income/(loss)[a]	(440)	240	(86)	2,887	54	2,655
Sale of 19.8% of subsidiary through an IPO[b]	27	—	—	—	—	27
Balance, December 31, 2013	(590)	79	150	(3,223)	313	(3,271)
Other comprehensive income/(loss)[a]	**(2,099)**	**438**	**(372)**	**(2,432)**	**419**	**(4,045)**
Balance, December 31, 2014	**$ (2,689)**	**$ 517**	**$ (222)**	**$ (5,654)**	**$ 733**	**$ (7,316)**

[a] Amounts do not include foreign currency translation adjustments attributable to noncontrolling interests of $3 million gain in 2014, $62 million loss in 2013 and $7 million loss in 2012.
[b] Relates to Zoetis (our former Animal Health subsidiary). See *Note 2D*.

As of December 31, 2014, we estimate that we will reclassify into 2015 income the following pre-tax amounts currently held in *Accumulated other comprehensive loss*: $419 million of unrealized holding gains on derivative financial instruments (expected to be offset by losses resulting from reclassification adjustments related to available-for-sale securities); $549 million of actuarial losses related to benefit plan obligations and plan assets and other benefit plan items; and $138 million of prior service credits, primarily related to benefit plan amendments.

Note 7. Financial Instruments

A. Selected Financial Assets and Liabilities

The following table provides additional information about certain of our financial assets and liabilities:

	As of December 31,	
(MILLIONS OF DOLLARS)	**2014**	2013
Selected financial assets measured at fair value on a recurring basis[a]		
Trading securities[b]	**$ 105**	$ 126
Available-for-sale debt securities[c]	**39,762**	34,899
Available-for-sale money market funds	**2,174**	945
Available-for-sale equity securities, excluding money market funds[c]	**397**	356
Derivative financial instruments in a receivable position[d]:		
Interest rate swaps	**801**	468
Foreign currency swaps	**593**	871
Foreign currency forward-exchange contracts	**547**	172
	44,379	37,837
Other selected financial assets		
Held-to-maturity debt securities, carried at amortized cost[c], [e]	**7,255**	9,139
Private equity securities, carried at equity-method or at cost[e], [f]	**1,993**	2,270
	9,248	11,409
Total selected financial assets	**$ 53,627**	$ 49,246
Selected financial liabilities measured at fair value on a recurring basis[a]		
Derivative financial instruments in a liability position[g]:		
Interest rate swaps	**$ 17**	$ 301
Foreign currency swaps	**594**	110
Foreign currency forward-exchange contracts	**78**	219
	689	630
Other selected financial liabilities[h]		
Short-term borrowings, carried at historical proceeds, as adjusted[e]	**5,141**	6,027
Long-term debt, carried at historical proceeds, as adjusted[i], [j]	**31,541**	30,462
	36,682	36,489
Total selected financial liabilities	**$ 37,371**	$ 37,119

[a] We use a market approach in valuing financial instruments on a recurring basis. For additional information, see *Note 1E.* All of our financial assets and liabilities measured at fair value on a recurring basis use Level 2 inputs in the calculation of fair value, except less than 1% that use Level 1 inputs.

[b] Trading securities are held in trust for benefits attributable to the former Pharmacia Savings Plus Plan.

[c] Gross unrealized gains and losses are not significant.

[d] Designated as hedging instruments, except for certain contracts used as offsets; namely, foreign currency forward-exchange contracts with fair values of $159 million as of December 31, 2014; and interest rate swaps with fair values of $38 million, foreign currency swaps with fair values of $30 million and foreign currency forward-exchange contracts with fair values of $66 million as of December 31, 2013.

[e] The differences between the estimated fair values and carrying values of held-to-maturity debt securities, private equity securities at cost and short-term borrowings not measured at fair value on a recurring basis were not significant as of December 31, 2014 or December 31, 2013. The fair value measurements of our held-to-maturity debt securities and our short-term borrowings are based on Level 2 inputs, using a market approach. The fair value measurements of our private equity securities carried at cost are based on Level 3 inputs.

[f] Our private equity securities represent investments in the life sciences sector.

[g] Designated as hedging instruments, except for certain contracts used as offsets; namely, foreign currency swaps with fair values of $121 million and foreign currency forward-exchange contracts with fair values of $54 million as of December 31, 2014; and foreign currency swaps with fair values of $76 million and foreign currency forward-exchange contracts with fair values of $77 million as of December 31, 2013.

[h] Some carrying amounts may include adjustments for discount or premium amortization or for the effect of hedging the interest rate fair value risk associated with certain financial liabilities by interest rate swaps.

[i] Includes foreign currency debt with fair values of $560 million as of December 31, 2014 and $651 million as of December 31, 2013, which are used as hedging instruments.

[j] The fair value of our long-term debt (not including the current portion of long-term debt) was $36.6 billion as of December 31, 2014 and $35.1 billion as of December 31, 2013. The fair value measurements for our long-term debt are based on Level 2 inputs, using a market approach. Generally, the difference between the fair value of our long-term debt and the amount reported on the consolidated balance sheet is due to a decline in relative market interest rates since the debt issuance.

A single estimate of fair value can result from a complex series of judgments about future events and uncertainties and can rely heavily on estimates and assumptions. For a description of our general accounting policies associated with developing fair value estimates, see *Note 1E.* For a description of the risks associated with estimates and assumptions, see *Note 1C.*

The following methods and assumptions were used to estimate the fair value of our financial assets and liabilities:

- Trading equity securities—quoted market prices.
- Trading debt securities—observable market interest rates.
- Available-for-sale debt securities—third-party matrix-pricing model that uses significant inputs derived from or corroborated by observable market data and credit-adjusted interest rate yield curves. Loan-backed, receivable-backed, and mortgage-backed securities are valued by third-party models that use significant inputs derived from observable market data like prepayment rates, default rates, and recovery rates.
- Available-for-sale money market funds—observable Net Asset Value prices.
- Available-for-sale equity securities, excluding money market funds—third-party pricing services that principally use a composite of observable prices.
- Derivative financial instruments (assets and liabilities)—third-party matrix-pricing model that uses significant inputs derived from or corroborated by observable market data. Where applicable, these models discount future cash flow amounts using market-based observable inputs, including interest rate yield curves, and forward and spot prices for currencies. The credit risk impact to our derivative financial instruments was not significant.
- Held-to-maturity debt securities—third-party matrix-pricing model that uses significant inputs derived from or corroborated by observable market data and credit-adjusted interest rate yield curves.
- Private equity securities, excluding equity-method investments—application of the implied volatility associated with an observable biotech index to the carrying amount of our portfolio.
- Short-term borrowings and long-term debt—third-party matrix-pricing model that uses significant inputs derived from or corroborated by observable market data and our own credit rating.

We periodically review the methodologies, inputs and outputs of third-party pricing services for reasonableness. Our procedures can include, for example, referencing other third-party pricing models, monitoring key observable inputs (like LIBOR interest rates) and selectively performing test-comparisons of values with actual sales of financial instruments.

The following table provides the classification of these selected financial assets and liabilities in our consolidated balance sheets:

	As of December 31,	
(MILLIONS OF DOLLARS)	**2014**	2013
Assets		
Cash and cash equivalents	**$ 1,389**	$ 1,104
Short-term investments	**32,779**	30,225
Long-term investments	**17,518**	16,406
Other current assets[a]	**1,059**	286
Other noncurrent assets[b]	**881**	1,225
	$ 53,627	$ 49,246
Liabilities		
Short-term borrowings, including current portion of long-term debt	**$ 5,141**	$ 6,027
Other current liabilities[c]	**93**	303
Long-term debt	**31,541**	30,462
Other noncurrent liabilities[d]	**596**	327
	$ 37,371	$ 37,119

[a] As of December 31, 2014, derivative instruments at fair value include interest rate swaps ($34 million), foreign currency swaps ($494 million) and foreign currency forward-exchange contracts ($531 million) and, as of December 31, 2013, include interest rate swaps ($90 million), foreign currency swaps ($24 million) and foreign currency forward-exchange contracts ($172 million).

[b] As of December 31, 2014, derivative instruments at fair value include interest rate swaps ($767 million) and foreign currency swaps ($99 million) and foreign currency forward-exchange contracts ($15 million) and, as of December 31, 2013, include interest rate swaps ($378 million) and foreign currency swaps ($847 million).

[c] At December 31, 2014, derivative instruments at fair value include interest rate swaps ($1 million), foreign currency swaps ($13 million) and foreign currency forward-exchange contracts ($78 million) and, as of December 31, 2013, include foreign currency swaps ($84 million) and foreign currency forward-exchange contracts ($219 million).

[d] At December 31, 2014, derivative instruments at fair value include interest rate swaps ($16 million) and foreign currency swaps ($581 million) and, as of December 31, 2013, include interest rate swaps ($301 million) and foreign currency swaps ($26 million).

In addition, as of December 31, 2014, we had long-term receivables where the determination of fair value employs discounted future cash flows, using current interest rates at which similar loans would be made to borrowers with similar credit ratings and for the same remaining maturities. As of December 31, 2014, the differences between the estimated fair values and carrying values of these receivables were not significant.

There were no significant impairments of financial assets recognized in any period presented.

B. Investments in Debt Securities

The following table provides the contractual maturities, or as necessary, the estimated maturities, of the available-for-sale and held-to-maturity debt securities:

	Years				December 31, 2014
(MILLIONS OF DOLLARS)	Within 1	Over 1 to 5	Over 5 to 10	Over 10	Total
Available-for-sale debt securities					
Western European, Scandinavian and other government debt[a]	$ 13,281	$ 2,281	$ —	$ —	$ 15,561
Corporate debt[b]	2,756	3,847	1,370	46	8,019
U.S. government debt	2,246	2,277	21	—	4,543
Western European, Scandinavian and other government agency debt[a]	2,417	435	—	—	2,853
Supranational debt[a]	1,293	905	—	—	2,198
Federal Home Loan Mortgage Corporation and Federal National Mortgage Association asset-backed securities	16	1,850	72	—	1,938
Reverse repurchase agreements[c]	1,589	—	—	—	1,589
Government National Mortgage Association and other U.S. government guaranteed asset-backed securities	198	793	27	—	1,017
Other asset-backed debt[d]	960	1,077	9	—	2,046
Held-to-maturity debt securities					
Western European, Asian and other government debt[a]	3,893	—	—	—	3,893
Time deposits, corporate debt and other[b]	3,346	12	3	—	3,361
Total debt securities	$ 31,994	$ 13,476	$ 1,501	$ 46	$ 47,017

(a) Issued by governments, government agencies or supranational entities, as applicable, all of which are investment-grade.
(b) Issued by a diverse group of corporations, largely consisting of financial institutions, virtually all of which are investment-grade.
(c) Involving U.S. securities.
(d) Includes loan-backed, receivable-backed, and mortgage-backed securities, all of which are investment-grade and in senior positions in the capital structure of the security. Loan-backed securities are collateralized by senior secured obligations of a diverse pool of companies or student loans, and receivable-backed securities are collateralized by credit cards receivables. Mortgage-backed securities are collateralized by diversified pools of residential and commercial mortgages.

C. Short-Term Borrowings

Short-term borrowings include amounts for commercial paper of $570 million as of December 31, 2014 and $3.0 billion December 31, 2013. The weighted-average effective interest rate on short-term borrowings outstanding was 2.5% as of December 31, 2014 and 1.7% as of December 31, 2013.

As of December 31, 2014, we had access to $8.4 billion of lines of credit, of which $822 million expire within one year. Of these lines of credit, $8.1 billion are unused, of which our lenders have committed to loan us $7.1 billion at our request. Also, $7.0 billion of our unused lines of credit, all of which expire in 2019, may be used to support our commercial paper borrowings.

D. Long-Term Debt

On May 15, 2014, we completed a public offering of $4.5 billion aggregate principal amount of senior unsecured notes.

On June 3, 2013, we completed a public offering of $4.0 billion aggregate principal amount of senior unsecured notes. In addition, we repaid at maturity our 3.625% senior unsecured notes that were due June 2013, which had a balance of approximately $2.4 billion at December 31, 2012, and in December 2013, we redeemed the aggregate principal amount of $1.8 billion of our 5.50% senior unsecured notes that were due in February 2014.

The following table provides the components of our senior unsecured long-term debt:

		As of December 31,	
(MILLIONS OF DOLLARS)	Maturity Date	**2014**	2013
6.20%[a]	March 2019	**$ 3,264**	$ 3,234
7.20%[a]	March 2039	**2,902**	2,603
4.75% euro[b]	June 2016	**2,424**	2,752
5.75% euro[b]	June 2021	**2,419**	2,748
6.50% U.K. pound[b]	June 2038	**2,316**	2,459
5.95%[c]	April 2037	**2,083**	2,085
2.10%[c]	May 2019	**1,507**	—
4.55% euro[d]	May 2017	**1,201**	1,390
5.50%[b]	February 2016	**1,018**	1,033
5.35%[e]	March 2015	**—**	3,037
Notes and other debt with a weighted-average interest rate of 5.11%[f]	2021–2044	**6,698**	4,810
Notes and other debt with a weighted-average interest rate of 3.19%[g]	2017–2018	**5,161**	3,683
Foreign currency notes and other foreign currency debt with a weighted-average interest rate of 2.84%[h]	2015-2016	**547**	628
Long-term debt		**$ 31,541**	$ 30,462
Current portion of long-term debt (not included above)		**$ 3,011**	$ 2,060

[a] Instrument is redeemable by us at any time at the greater of 100% of the principal amount of the notes or the sum of the present values of the remaining scheduled payments of principal and interest discounted at the U.S. Treasury rate plus 0.50%, plus, in each case, accrued and unpaid interest.

[b] Instrument is redeemable by us at any time at the greater of 100% of the principal amount of the notes or the sum of the present values of the remaining scheduled payments of principal and interest discounted at a comparable government bond rate plus 0.20%. plus, in each case, accrued and unpaid interest.

[c] The instrument is redeemable by us at any time at the greater of 100% of the principal amount of the notes or the sum of the present values of the remaining scheduled payments of principal and interest discounted at the U.S. Treasury rate plus 0.25% for the 5.95% notes and 0.07% for the 2.10% notes, plus, in each case, accrued and unpaid interest.

[d] The instrument is redeemable by us at any time at the greater of 100% of the principal amount of the notes or the price at which the gross redemption yield on the notes would be equal to the gross redemption yield of a comparable European government bond (selected at the discretion of the Trustee) on the basis of the middle market price of such European government bond.

[e] At December 31, 2014, the note has been reclassified to *Current portion of long-term debt*.

[f] Contains debt issuances with a weighted-average maturity of approximately 22 years, and the majority of which are redeemable by us at any time at the greater of 100% of the principal amount of the notes or the sum of the present values of the remaining scheduled payments of principal and interest discounted at the U.S. Treasury rate plus a weighted average 0.22%, plus, in each case, accrued and unpaid interest.

[g] Contains debt issuances with a weighted-average maturity of approximately 3 years, and the majority of which are redeemable by us at any time at the greater of 100% of the principal amount of the notes or the sum of the present values of the remaining scheduled payments of principal and interest discounted at the U.S. Treasury rate plus a weighted average 0.14%, plus, in each case, accrued and unpaid interest.

[h] Contains debt issuances with a weighted-average maturity of approximately 1 year.

The following table provides the maturity schedule of our *Long-term debt* outstanding as of December 31, 2014:

(MILLIONS OF DOLLARS)	2016	2017	2018	2019	After 2019	TOTAL
Maturities	$ 3,990	$ 3,963	$ 2,399	$ 4,771	$ 16,418	$ 31,541

E. Derivative Financial Instruments and Hedging Activities

Foreign Exchange Risk

A significant portion of our revenues, earnings and net investments in foreign affiliates is exposed to changes in foreign exchange rates. We seek to manage our foreign exchange risk, in part, through operational means, including managing same-currency revenues in relation to same-currency costs and same-currency assets in relation to same-currency liabilities. Depending on market conditions, foreign exchange risk also is managed through the use of derivative financial instruments and foreign currency debt. These financial instruments serve to protect net income and net investments against the impact of the translation into U.S. dollars of certain foreign exchange-denominated transactions.

As of December 31, 2014, the aggregate notional amount of foreign exchange derivative financial instruments hedging or offsetting foreign currency exposures was $36.6 billion. The derivative financial instruments primarily hedge or offset exposures in the euro, Japanese yen, U.K.

pound and Swiss franc. The maximum length of time over which we are hedging future foreign exchange cash flow relates to our $2.3 billion U.K. pound debt maturing in 2038.

All derivative contracts used to manage foreign currency risk are measured at fair value and are reported as assets or liabilities on the consolidated balance sheet. Changes in fair value are reported in earnings or in *Other comprehensive income/(loss)*, depending on the nature and purpose of the financial instrument (offset or hedge relationship) and the effectiveness of the hedge relationships, as follows:

- We record in *Other comprehensive income/(loss)* the effective portion of the gains or losses on foreign currency forward-exchange contracts and foreign currency swaps that are designated as cash flow hedges and reclassify those amounts, as appropriate, into earnings in the same period or periods during which the hedged transaction affects earnings.
- We recognize the gains and losses on foreign currency forward-exchange contracts and foreign currency swaps that are used to offset the same foreign currency assets or liabilities immediately into earnings along with the earnings impact of the items they generally offset. These contracts essentially take the opposite currency position of that reflected in the month-end balance sheet to counterbalance the effect of any currency movement.
- We recognize the gain and loss impact on foreign currency swaps and foreign currency forward-exchange contracts designated as hedges of our net investments in earnings in three ways: over time—for the periodic net swap payments; immediately—to the extent of any change in the difference between the foreign exchange spot rate and forward rate; and upon sale or substantial liquidation of our net investments—to the extent of change in the foreign exchange spot rates.
- We record in *Other comprehensive income/(loss)* the foreign exchange gains and losses related to foreign exchange-denominated debt designated as a hedge of our net investments in foreign subsidiaries and reclassify those amounts into earnings upon the sale or substantial liquidation of our net investments.

Any ineffectiveness is recognized immediately into earnings. There was no significant ineffectiveness for any period presented.

Interest Rate Risk

Our interest-bearing investments and borrowings are subject to interest rate risk. We strive to invest and borrow primarily on a floating-rate basis; however, in light of current market conditions, we currently borrow primarily on a long-term, fixed-rate basis. From time to time, depending on market conditions, we will change the profile of our outstanding debt by entering into derivative financial instruments like interest rate swaps.

We entered into derivative financial instruments to hedge or offset the fixed interest rates on the hedged item, matching the amount and timing of the hedged item. As of December 31, 2014, the aggregate notional amount of interest rate derivative financial instruments was $17.5 billion. The derivative financial instruments primarily hedge U.S. dollar and euro fixed-rate debt.

All derivative contracts used to manage interest rate risk are measured at fair value and reported as assets or liabilities on the consolidated balance sheet. Changes in fair value are reported in earnings, as follows:

- We recognize the gains and losses on interest rate swaps that are designated as fair value hedges in earnings upon the recognition of the change in fair value of the hedged risk. We recognize the offsetting earnings impact of fixed-rate debt attributable to the hedged risk also in earnings.

Any ineffectiveness is recognized immediately into earnings. There was no significant ineffectiveness for any period presented.

The following table provides information about the gains/(losses) incurred to hedge or offset operational foreign exchange or interest rate risk:

(MILLIONS OF DOLLARS)	Amount of Gains/(Losses) Recognized in OID[a], [b], [c]		Amount of Gains/(Losses) Recognized in OCI (Effective Portion)[a], [d]		Amount of Gains/(Losses) Reclassified from OCI into OID (Effective Portion)[a], [d]	
	Dec 31, 2014	Dec 31, 2013	**Dec 31, 2014**	Dec 31, 2013	**Dec 31, 2014**	Dec 31, 2013
Derivative Financial Instruments in Cash Flow Hedge Relationships:						
Foreign currency swaps	**$ —**	$ —	**$ (799)**	$ 554	**$ (808)**	$ 220
Foreign currency forward-exchange contracts	**—**	—	**823**	(66)	**332**	(126)
Derivative Financial Instruments in Net Investment Hedge Relationships:						
Foreign currency swaps	**—**	(3)	**78**	156	**—**	—
Foreign currency forward-exchange contracts	**—**	(3)	**—**	(1)	**—**	—
Derivative Financial Instruments Not Designated as Hedges:						
Foreign currency forward-exchange contracts	**164**	56	**—**	—	**—**	—
Foreign currency swaps	**(2)**	(18)	**—**	—	**—**	—
Non-Derivative Financial Instruments in Net Investment Hedge Relationships:						
Foreign currency long-term debt	**—**	—	**33**	133	**—**	—
All other net	**(3)**	(1)	**—**	—	**—**	—
	$ 160	$ 31	**$ 135**	$ 776	**$ (477)**	$ 94

[a] OID = Other (income)/deductions—net, included in *Other (income)/deductions—net* in the consolidated statements of income. OCI = Other comprehensive income/(loss), included in the consolidated statements of comprehensive income.

[b] Also includes gains and losses attributable to derivative instruments designated and qualifying as fair value hedges, as well as the offsetting gains and losses attributable to the hedged items in such hedging relationships.

[c] There was no significant ineffectiveness for any period presented.

[d] For derivative financial instruments in cash flow hedge relationships, the effective portion is included in *Other comprehensive income/(loss)—Unrealized holding gains on derivative financial instruments, net*. For derivative financial instruments in net investment hedge relationships and for foreign currency debt designated as hedging instruments, the effective portion is included in *Other comprehensive income/(loss)—Foreign currency translation adjustments.*

For information about the fair value of our derivative financial instruments, and the impact on our consolidated balance sheets, see *Note 7A* above. Certain of our derivative instruments are covered by associated credit-support agreements that have credit-risk-related contingent features designed to reduce our counterparties' exposure to our risk of defaulting on amounts owed. As of December 31, 2014, the aggregate fair value of these derivative instruments that are in a net liability position was $233 million, for which we have posted collateral of $231 million in the normal course of business. These features include the requirement to pay additional collateral in the event of a downgrade in our debt ratings. If there had been a downgrade to below an A rating by Standard and Poor's (S&P) or the equivalent rating by Moody's Investors Service, on December 31, 2014, we would have been required to post an additional $5 million of collateral to our counterparties. The collateral advanced receivables are reported in *Short-term investments.*

F. Credit Risk

On an ongoing basis, we review the creditworthiness of counterparties to our foreign exchange and interest rate agreements and do not expect to incur a significant loss from failure of any counterparties to perform under the agreements. There are no significant concentrations of credit risk related to our financial instruments with any individual counterparty. As of December 31, 2014, we had $3.5 billion due from a well-diversified, highly rated group (S&P ratings of mostly A or better) of bank counterparties around the world. For details about our investments, see *Note 7B* above.

In general, there is no requirement for collateral from customers. However, derivative financial instruments are executed under master netting agreements with financial institutions and these agreements contain provisions that provide for the ability for collateral payments, depending on levels of exposure, our credit rating and the credit rating of the counterparty. As of December 31, 2014, we received cash collateral of $1.6 billion from various counterparties. The collateral primarily supports the approximate fair value of our derivative contracts. With respect to the collateral received, which is included in *Cash and cash equivalents,* the obligations are reported in *Short-term borrowings, including current portion of long-term debt.*

Note 8. Inventories

The following table provides the components of *Inventories*:

(MILLIONS OF DOLLARS)	As of December 31, 2014	2013
Finished goods	**$ 1,905**	$ 2,216
Work-in-process	**3,248**	3,445
Raw materials and supplies	**510**	505
Inventories	**$ 5,663**	$ 6,166
Noncurrent inventories not included above[a]	**$ 425**	$ 463

[a] Included in *Other noncurrent assets*. There are no recoverability issues associated with these amounts.

Note 9. Property, Plant and Equipment

The following table provides the components of *Property, plant and equipment*:

(MILLIONS OF DOLLARS)	Useful Lives (Years)	As of December 31, 2014	2013
Land	—	**$ 529**	$ 557
Buildings	33-50	**9,355**	10,055
Machinery and equipment	8-20	**9,671**	10,050
Furniture, fixtures and other	3-12 1/2	**4,162**	3,914
Construction in progress	—	**1,271**	1,102
		24,988	25,678
Less: Accumulated depreciation		**13,226**	13,281
Property, plant and equipment[a]		**$ 11,762**	$ 12,397

[a] The decrease in total property, plant and equipment is primarily due to depreciation and, to a much lesser extent, disposals, impairments and the impact of foreign exchange, partially offset by capital additions.

Note 10. Identifiable Intangible Assets and Goodwill

A. Identifiable Intangible Assets

Balance Sheet Information

The following table provides the components of *Identifiable intangible assets*:

(MILLIONS OF DOLLARS)	December 31, 2014 Gross Carrying Amount	Accumulated Amortization	Identifiable Intangible Assets, less Accumulated Amortization	December 31, 2013 Gross Carrying Amount	Accumulated Amortization	Identifiable Intangible Assets, less Accumulated Amortization
Finite-lived intangible assets						
Developed technology rights	**$ 70,946**	**$ (44,694)**	**$ 26,252**	$ 72,038	$ (41,541)	$ 30,497
Brands	**1,951**	**(855)**	**1,096**	1,743	(773)	970
Licensing agreements and other	**991**	**(832)**	**159**	896	(805)	91
	73,887	**(46,381)**	**27,506**	74,677	(43,119)	31,558
Indefinite-lived intangible assets						
Brands and other	**7,273**		**7,273**	7,384		7,384
In-process research and development	**387**		**387**	443		443
	7,660		**7,660**	7,827		7,827
Identifiable intangible assets[a]	**$ 81,547**	**$ (46,381)**	**$ 35,166**	$ 82,504	$ (43,119)	$ 39,385

[a] The decrease in identifiable intangible assets, less accumulated amortization, is primarily due to amortization and, to a much lesser extent, asset impairment charges, partially offset by assets acquired as part of the InnoPharma acquisition,the Nexium OTC milestones and other asset acquisitions. For information about impairments of intangible assets, see *Note 4.* For information about the assets acquired from InnoPharma and the Nexium OTC milestones, see *Note 2A* and *Note 2B*, respectively.

Our identifiable intangible assets are associated with the following, as a percentage of total identifiable intangible assets, less accumulated amortization:

	December 31, 2014		
	GIP	VOC	GEP
Developed technology rights	33%	34%	33%
Brands, finite-lived	—%	80%	20%
Brands, indefinite-lived	—%	69%	31%
In-process research and development	7%	31%	62%

Developed Technology Rights

Developed technology rights represent the amortized cost associated with developed technology, which has been acquired from third parties and which can include the right to develop, use, market, sell and/or offer for sale the product, compounds and intellectual property that we have acquired with respect to products, compounds and/or processes that have been completed. We possess a well-diversified portfolio of hundreds of developed technology rights across therapeutic categories, representing the commercialized products included in our biopharmaceutical businesses. The more significant components of developed technology rights are the following (in order of significance): Prevnar 13/Prevenar 13 Infant and Enbrel and, to a lesser extent, Premarin, Prevnar 13/Prevenar 13 Adult, Effexor, Pristiq, Tygacil, Refacto AF and Benefix. Also included in this category are the post-approval milestone payments made under our alliance agreements for certain biopharmaceutical products.

Brands

Brands represent the amortized or unamortized cost associated with tradenames and know-how, as the products themselves do not receive patent protection. Most of these assets are associated with our Consumer Healthcare business unit. The more significant components of indefinite-lived brands are the following (in order of significance): Advil, Xanax/Xanax XR, Centrum, Medrol and Caltrate. The more significant components of finite-lived brands are the following (in order of significance): Nexium, Depo-Provera and, to a lesser extent, Advil Cold and Sinus and Idoform Bifiform.

In-Process Research and Development

IPR&D assets represent research and development assets that have not yet received regulatory approval in a major market. The more significant components of IPR&D are the programs for the treatment of staph aureus infections, as well as the sterile injectables IPR&D portfolio acquired as part of the InnoPharma acquisition.

IPR&D assets are required to be classified as indefinite-lived assets until the successful completion or the abandonment of the associated research and development effort. Accordingly, during the development period after the date of acquisition, these assets will not be amortized until approval is obtained in a major market, typically either the U.S. or the EU, or in a series of other countries, subject to certain specified conditions and management judgment. At that time, we will determine the useful life of the asset, reclassify the asset out of in-process research and development and begin amortization. If the associated research and development effort is abandoned, the related IPR&D assets will likely be written-off, and we will record an impairment charge.

For IPR&D assets, the risk of failure is significant and there can be no certainty that these assets ultimately will yield successful products. The nature of the biopharmaceutical business is high-risk and, as such, we expect that many of these IPR&D assets will become impaired and be written off at some time in the future.

Amortization

The weighted-average life of both our total finite-lived intangible assets and the largest component, developed technology rights, is approximately ten years. Total amortization expense for finite-lived intangible assets was $4.1 billion in 2014, $4.8 billion in 2013 and $5.3 billion in 2012.

The following table provides the annual amortization expense expected for the years 2015 through 2019:

(MILLIONS OF DOLLARS)	2015	2016	2017	2018	2019
Amortization expense	$ 3,665	$ 3,413	$ 3,311	$ 3,203	$ 2,888

B. Goodwill

Our businesses were previously managed through four operating segments (Primary Care, Specialty Care and Oncology, Established Products and Emerging Markets and Consumer Healthcare) and are now managed through three different operating segments: the Global Innovative Pharmaceutical segment (GIP) ; the Global Vaccines, Oncology and Consumer Healthcare segment (VOC); and the Global Established Pharmaceutical segment (GEP). For additional information, see *Note 18*. As a result of this change, our goodwill was required to be reallocated to the new reporting units based on the relative fair value of the components transferred into the new reporting units. We have retrospectively presented goodwill according to the new operating segment structure.

The following table provides the components of and changes in the carrying amount of *Goodwill*:

(MILLIONS OF DOLLARS)	GIP	VOC	GEP	Total
Balance, January 1, 2013	$ 13,482	$ 11,766	$ 18,413	$ 43,661
Derecognition[a]	—	—	(292)	(292)
Other[b]	(272)	(207)	(371)	(850)
Balance, December 31, 2013	13,210	11,559	17,750	42,519
Additions[c]	**—**	**—**	**125**	**125**
Other[b]	**(178)**	**(161)**	**(236)**	**(575)**
Balance, December 31, 2014	**$ 13,032**	**$ 11,398**	**$ 17,639**	**$ 42,069**

[a] Reflects the goodwill derecognized as part of the transfer of certain product rights, which constituted a business, to our equity-method investment in China. For additional information, see *Note 2E.*
[b] Primarily reflects the impact of foreign exchange.
[c] Reflects the acquisition of InnoPharma. For additional information, see *Note 2A.*

Note 11. Pension and Postretirement Benefit Plans and Defined Contribution Plans

The majority of our employees worldwide are covered by defined benefit pension plans, defined contribution plans or both. In the U.S., we have both Internal Revenue Code-qualified and supplemental (non-qualified) defined benefit plans and contribution plans. A qualified plan meets the requirements of certain sections of the Internal Revenue Code, and, generally, contributions to qualified plans are tax deductible. A qualified plan typically provides benefits to a broad group of employees with restrictions on discriminating in favor of highly compensated employees with regard to coverage, benefits and contributions. A supplemental (non-qualified) plan provides additional benefits to certain employees. In addition, we provide medical insurance benefits to certain retirees and their eligible dependents through our postretirement plans.

A. Components of Net Periodic Benefit Costs and Changes in Other Comprehensive Income/(Loss)

The following table provides the annual cost (including, for 2013 and 2012, costs reported as part of discontinued operations) and changes in *Other comprehensive income/(loss)* for our benefit plans:

	Year Ended December 31,											
	Pension Plans											
	U.S. Qualified[a]			U.S. Supplemental (Non-Qualified)[b]			International[c]			Postretirement Plans[d]		
(MILLIONS OF DOLLARS)	**2014**	2013	2012	**2014**	2013	2012	**2014**	2013	2012	**2014**	2013	2012
Service cost	**$ 253**	$ 301	$ 357	**$ 20**	$ 26	$ 35	**$ 199**	$ 216	$ 215	**$ 55**	$ 61	$ 68
Interest cost	**697**	666	697	**57**	67	62	**394**	378	406	**169**	166	182
Expected return on plan assets	**(1,043)**	(999)	(983)	**—**	—	—	**(459)**	(407)	(424)	**(63)**	(55)	(46)
Amortization of:												
Actuarial losses	**63**	355	306	**29**	51	41	**97**	129	93	**6**	46	33
Prior service credits	**(7)**	(7)	(10)	**(2)**	(2)	(3)	**(7)**	(5)	(7)	**(57)**	(44)	(49)
Curtailments	**2**	—	(62)	**—**	—	(9)	**—**	(20)	(16)	**(7)**	(11)	(65)
Settlements	**52**	113	145	**28**	40	33	**22**	22	7	**—**	—	—
Special termination benefits	**—**	—	8	**—**	—	30	**8**	4	5	**—**	—	6
Net periodic benefit costs reported in *Income*	**16**	429	458	**132**	182	189	**254**	317	279	**102**	163	129
(Income)/cost reported in *Other comprehensive income/(loss)*[e]	**2,768**	(3,044)	461	**163**	(255)	110	**260**	(569)	759	**(174)**	(736)	267
(Income)/cost recognized in *Comprehensive income*	**$ 2,784**	$ (2,615)	$ 919	**$ 294**	$ (73)	$ 299	**$ 514**	$ (252)	$ 1,038	**$ (72)**	$ (573)	$ 396

[a] 2014 v. 2013—The decrease in net periodic benefit costs for our U.S. qualified pension plans was primarily driven by (i) the decrease in the amounts amortized for actuarial losses resulting from the increase, in 2013, in the discount rate used to determine the benefit obligation (which reduced the amount of deferred actuarial losses), (ii) lower service cost resulting from cost-reduction initiatives, (iii) lower settlement activity and (iv) greater expected return on plan assets resulting from an increased plan asset base, partially offset by higher interest costs resulting from the increase, in 2013, in the discount rate used to determine the benefit obligation. 2013 v. 2012—The decrease in net periodic benefit cost for our U.S. qualified plans was primarily driven by (i) lower service cost resulting from cost reduction initiatives, (ii) lower settlements and (iii) higher expected return on plan assets resulting from an increased plan asset base, partially offset by the curtailment gain in 2012 resulting from the decision to freeze the defined benefit plans in the U.S. and Puerto Rico. Also, the decrease in the discount rate resulted in lower interest costs, as well as an increase in the amounts amortized for actuarial losses.

[b] 2014 v. 2013—The decrease in net periodic benefit costs for our U.S. supplemental (non-qualified) pension plans was primarily driven by (i) the decrease in the amounts amortized for actuarial losses resulting from the increase, in 2013, in the discount rate used to determine the benefit obligation, (ii) lower settlement activity and (iii) lower interest costs. 2013 v. 2012—The decrease in net periodic benefit cost for our U.S. supplemental (non-qualified) pension plans was primarily driven by (i) a decrease in special termination benefits, partially offset by (ii) an increase in the amounts amortized for actuarial losses resulting from a decrease in discount rates, and (iii) the curtailment gain in 2012 resulting from the decision to freeze the defined benefit plans in the U.S. and Puerto Rico.

[c] 2014 v. 2013—The decrease in net periodic benefit costs for our international pension plans was primarily driven by (i) greater expected return on plan assets resulting from an increased plan asset base, (ii) the decrease in the amounts amortized for actuarial losses resulting from increases, in 2013, in the discount rates used to determine the benefit obligations, partially offset by (iii) increased curtailment losses primarily due to a loss relating to a U.K. pension plan freeze in the current year and (iv) changes in curtailments related to restructuring initiatives. 2013 v. 2012—The increase in net periodic benefit costs for our international pension plans was primarily driven by (i) an increase in the amounts amortized for actuarial losses resulting from changes in assumptions, (ii) lower expected return on plan assets driven by lower expected rate of return in certain significant plans, (iii) higher settlements and (iv) 2012 curtailment gains, partially offset by (v) lower interest costs resulting from the decrease in discount rates.

[d] 2014 v. 2013—The decrease in net periodic benefit costs for our postretirement plans was primarily driven by the decrease in the amounts amortized for actuarial losses resulting from the increase, in 2013, in the discount rate used to determine the benefit obligation (which reduced the amount of deferred actuarial losses). 2013 v. 2012—The increase in net periodic benefit cost for our postretirement plans was primarily driven by (i) 2012 curtailment gains, partially offset by (ii) higher expected return on plan assets and (iii) a decrease in special termination benefits. Also, the decrease in the discount rate resulted in (iv) lower interest costs, as well as (v) an increase in the amounts amortized for actuarial losses.

[e] For details of the changes in *Other comprehensive income/(loss),* see the benefit plan activity in the consolidated statements of comprehensive income.

The following table provides the amounts in *Accumulated other comprehensive loss* expected to be amortized into 2015 net periodic benefit costs:

	Pension Plans			
(MILLIONS OF DOLLARS)	U.S. Qualified	U.S. Supplemental (Non-Qualified)	International	Postretirement Plans
Actuarial losses	$ (330)	$ (46)	$ (133)	$ (40)
Prior service credits and other	7	2	7	123
Total	$ (324)	$ (44)	$ (126)	$ 84

B. Actuarial Assumptions

The following table provides the weighted-average actuarial assumptions of our benefit plans:

(PERCENTAGES)	**2014**	2013	2012
Weighted-average assumptions used to determine benefit obligations			
Discount rate:			
U.S. qualified pension plans	**4.2%**	5.2%	4.3%
U.S. non-qualified pension plans	**4.0%**	4.8%	3.9%
International pension plans	**3.0%**	3.9%	3.8%
Postretirement plans	**4.2%**	5.1%	4.1%
Rate of compensation increase:			
U.S. qualified pension plans	**2.8%**	2.8%	2.8%
U.S. non-qualified pension plans	**2.8%**	2.8%	2.8%
International pension plans	**2.7%**	2.9%	3.1%
Weighted-average assumptions used to determine net periodic benefit cost			
Discount rate:			
U.S. qualified pension plans	**5.2%**	4.3%	5.1%
U.S. non-qualified pension plans	**4.8%**	3.9%	5.0%
International pension plans	**3.9%**	3.8%	4.7%
Postretirement plans	**5.1%**	4.1%	4.8%
Expected return on plan assets:			
U.S. qualified pension plans	**8.5%**	8.5%	8.5%
International pension plans	**5.8%**	5.6%	5.9%
Postretirement plans	**8.5%**	8.5%	8.5%
Rate of compensation increase:			
U.S. qualified pension plans	**2.8%**	2.8%	3.5%
U.S. non-qualified pension plans	**2.8%**	2.8%	3.5%
International pension plans	**2.9%**	3.1%	3.3%

The assumptions above are used to develop the benefit obligations at fiscal year-end and to develop the net periodic benefit cost for the subsequent fiscal year. Therefore, the assumptions used to determine net periodic benefit cost for each year are established at the end of each previous fiscal year, while the assumptions used to determine benefit obligations are established at each fiscal year-end.

The net periodic benefit cost and the benefit obligations are based on actuarial assumptions that are reviewed on at least an annual basis. We revise these assumptions based on an annual evaluation of long-term trends, as well as market conditions that may have an impact on the cost of providing retirement benefits.

The weighted-average discount rate for our U.S. defined benefit plans is determined annually and evaluated and modified to reflect at year-end the prevailing market rate of a portfolio of high-quality fixed income investments, rated AA/Aa or better that reflect the rates at which the pension benefits could be effectively settled. For our international plans, the discount rates are set by benchmarking against investment grade corporate bonds rated AA/Aa or better, including, when there is sufficient data, a yield curve approach. These rate determinations are made consistent with local requirements. Overall, the yield curves used to determine the discount rates at year-end 2014 exhibited lower interest rates as compared to the prior year.

The following table provides the healthcare cost trend rate assumptions for our U.S. postretirement benefit plans:

	2014	2013
Healthcare cost trend rate assumed for next year	**7.0%**	7.3%
Rate to which the cost trend rate is assumed to decline	**4.5%**	4.5%
Year that the rate reaches the ultimate trend rate	**2027**	2027

The following table provides the effects as of December 31, 2014 of a one-percentage-point increase or decrease in the healthcare cost trend rate assumed for postretirement benefits:

(MILLIONS OF DOLLARS)	Increase	Decrease
Effect on total service and interest cost components	**$ 15**	**$ (14)**
Effect on postretirement benefit obligation	**228**	**(217)**

Actuarial and other assumptions for pension and postretirement plans can result from a complex series of judgments about future events and uncertainties and can rely heavily on estimates and assumptions. For a description of the risks associated with estimates and assumptions, see *Note 1C*.

C. Obligations and Funded Status

The following table provides an analysis of the changes in our benefit obligations, plan assets and funded status of our benefit plans (including, for 2013, those reported as part of discontinued operations):

	Year Ended December 31,							
	Pension Plans							
	U.S. Qualified[a]		U.S. Supplemental (Non-Qualified)[b]		International[c]		Postretirement Plans[d]	
(MILLIONS OF DOLLARS)	**2014**	2013	**2014**	2013	**2014**	2013	**2014**	2013
Change in benefit obligation[e]								
Benefit obligation, beginning	**$ 13,976**	$ 16,268	**$ 1,341**	$ 1,549	**$ 10,316**	$ 10,227	**$ 3,438**	$ 4,165
Service cost	**253**	301	**20**	26	**197**	216	**55**	61
Interest cost	**697**	666	**57**	67	**393**	378	**169**	166
Employee contributions	**—**	—	**—**	—	**8**	10	**75**	69
Plan amendments	**—**	—	**—**	—	**(54)**	1	**(692)**	(152)
Changes in actuarial assumptions and other	**2,653**	(2,257)	**218**	(165)	**1,346**	229	**447**	(540)
Foreign exchange impact	**—**	—	**—**	—	**(794)**	(66)	**(10)**	(9)
Acquisitions/divestitures, net	**—**	—	**—**	37	**(55)**	(63)	**—**	—
Curtailments	**2**	(8)	**—**	(1)	**(127)**	(64)	**(4)**	(8)
Settlements	**(308)**	(444)	**(96)**	(105)	**(32)**	(156)	**—**	—
Special termination benefits	**—**	—	**—**	—	**8**	4	**—**	—
Benefits paid	**(697)**	(550)	**(58)**	(67)	**(408)**	(400)	**(309)**	(314)
Benefit obligation, ending[e]	**16,575**	13,976	**1,481**	1,341	**10,796**	10,316	**3,168**	3,438
Change in plan assets								
Fair value of plan assets, beginning	**12,869**	12,540	**—**	—	**8,250**	7,589	**741**	644
Actual gain on plan assets	**819**	1,318	**—**	—	**1,046**	976	**45**	98
Company contributions	**23**	5	**154**	172	**316**	380	**210**	244
Employee contributions	**—**	—	**—**	—	**8**	10	**75**	69
Foreign exchange impact	**—**	—	**—**	—	**(594)**	(95)	**—**	—
Acquisitions/divestitures, net	**—**	—	**—**	—	**3**	(54)	**—**	—
Settlements	**(308)**	(444)	**(96)**	(105)	**(32)**	(156)	**—**	—
Benefits paid	**(697)**	(550)	**(58)**	(67)	**(408)**	(400)	**(309)**	(314)
Fair value of plan assets, ending	**12,706**	12,869	**—**	—	**8,588**	8,250	**762**	741
Funded status—Plan assets less than benefit obligation	**$ (3,869)**	$ (1,107)	**$ (1,481)**	$ (1,341)	**$ (2,208)**	$ (2,066)	**$ (2,406)**	$ (2,697)

[a] The unfavorable change in the funded status of our U.S. qualified plans is primarily due to (i) a decrease in the discount rate (reflecting lower interest rates) and (ii) a change in mortality assumptions (reflecting a longer life expectancy for plan participants), which more than offset (iii) a gain on plan assets.

[b] Our U.S. supplemental (non-qualified) plans are generally not funded and these obligations, which are substantially greater than the annual cash outlay for these liabilities, will be paid from cash generated from operations.

[c] The unfavorable change in the international plans' funded status was primarily due to (i) a decrease in the discount rate (reflecting lower interest rates), partially offset by (ii) the strengthening U.S. dollar and (iii) a gain on plan assets.

[d] The favorable change in the funded status of our postretirement plans is due to (i) a plan amendment that decreased the benefit obligation by transferring certain plan participants to a retiree drug coverage program eligible for a Medicare Part D plan subsidy, partially offset by (ii) a decrease in the discount rate (reflecting lower interest rates).

[e] For the U.S. and international pension plans, the benefit obligation is the projected benefit obligation. For the postretirement plans, the benefit obligation is the accumulated postretirement benefit obligation (ABO). The ABO for all of our U.S. qualified pension plans was $16.3 billion in 2014 and $13.7 billion in 2013. The ABO for our U.S. supplemental (non-qualified) pension plans was $1.4 billion in 2014 and $1.3 billion 2013. The ABO for our international pension plans was $10.3 billion in 2014 and $9.7 billion in 2013.

The following table provides information as to how the funded status is recognized in our consolidated balance sheets:

	As of December 31,							
	Pension Plans							
	U.S. Qualified		U.S. Supplemental (Non-Qualified)		International		Postretirement Plans	
(MILLIONS OF DOLLARS)	**2014**	2013	**2014**	2013	**2014**	2013	**2014**	2013
Noncurrent assets[a]	**$ —**	$ —	**$ —**	$ —	**$ 509**	$ 318	**$ —**	$ —
Current liabilities[b]	**—**	—	**(136)**	(151)	**(45)**	(46)	**(27)**	(29)
Noncurrent liabilities[c]	**(3,869)**	(1,107)	**(1,345)**	(1,190)	**(2,671)**	(2,338)	**(2,379)**	(2,668)
Funded status	**$ (3,869)**	$ (1,107)	**$ (1,481)**	$ (1,341)	**$ (2,208)**	$ (2,066)	**$ (2,406)**	$ (2,697)

[a] Included primarily in *Other noncurrent assets*.
[b] Included in *Accrued compensation and related items*.
[c] Included in *Pension benefit obligations, net* and *Postretirement benefit obligations, net,* as appropriate.

The following table provides the pre-tax components of cumulative amounts recognized in *Accumulated other comprehensive loss*:

	As of December 31,							
	Pension Plans							
	U.S. Qualified		U.S. Supplemental (Non-Qualified)		International		Postretirement Plans	
(MILLIONS OF DOLLARS)	**2014**	2013	**2014**	2013	**2014**	2013	**2014**	2013
Actuarial losses[a]	**$ (4,735)**	$ (1,974)	**$ (567)**	$ (406)	**$ (2,527)**	$ (2,213)	**$ (745)**	$ (292)
Prior service (costs)/credits	**35**	42	**10**	11	**36**	(18)	**1,098**	470
Total	**$ (4,700)**	$ (1,932)	**$ (557)**	$ (395)	**$ (2,492)**	$ (2,231)	**$ 352**	$ 178

[a] The accumulated actuarial losses primarily represent the impact of changes in discount rates and other assumptions that result in cumulative changes in our projected benefit obligations, as well as the cumulative difference between the expected return and actual return on plan assets. These accumulated actuarial losses are recognized in Accumulated other comprehensive loss and are amortized into net periodic benefit costs primarily over the average remaining service period for active participants, using the corridor approach. The average amortization periods utilized are 9.5 years for our U.S. qualified plans, 9.4 years for our U.S. supplemental (non-qualified) plans, 17.4 years for our international plans, and 10.6 years for our postretirement plans.

The following table provides information related to the funded status of selected benefit plans:

	As of December 31,					
	Pension Plans					
	U.S. Qualified		U.S. Supplemental (Non-Qualified)		International	
(MILLIONS OF DOLLARS)	**2014**	2013	**2014**	2013	**2014**	2013
Pension plans with an accumulated benefit obligation in excess of plan assets:						
Fair value of plan assets	**$ 12,706**	$ 12,869	**$ —**	$ —	**$ 1,718**	$ 1,309
Accumulated benefit obligation	**16,323**	13,704	**1,447**	1,294	**4,021**	3,348
Pension plans with a projected benefit obligation in excess of plan assets:						
Fair value of plan assets	**12,706**	12,869	**—**	—	**1,999**	2,499
Projected benefit obligation	**16,575**	13,976	**1,481**	1,341	**4,715**	4,883

All of our U.S. plans and many of our international plans were underfunded as of December 31, 2014.

D. Plan Assets

The following table provides the components of plan assets:

(MILLIONS OF DOLLARS)	As of December 31, 2014	Fair Value[a] Level 1	Level 2	Level 3	As of December 31, 2013	Fair Value[a] Level 1	Level 2	Level 3
U.S. qualified pension plans								
Cash and cash equivalents	$ 756	$ 84	$ 672	$ —	$ 360	$ —	$ 360	$ —
Equity securities:								
Global equity securities	3,394	3,391	2	1	4,335	4,328	7	—
Equity commingled funds	1,845	—	1,698	147	2,294	—	2,294	—
Fixed Income securities:								
Corporate debt securities	3,013	—	3,008	5	2,042	—	2,042	—
Government and agency obligations	1,124	—	1,124	—	1,235	—	1,235	—
Fixed income commingled funds	242	—	242	—	675	—	675	—
Other investments:								
Partnership investments[c]	958	—	—	958	932	—	—	932
Insurance contracts	278	—	278	—	281	—	281	—
Other commingled funds[d]	1,096	—	—	1,096	715	—	—	715
Total	12,706	3,475	7,024	2,207	12,869	4,328	6,894	1,647
International pension plans								
Cash and cash equivalents	331	25	306	—	229	—	229	—
Equity securities:								
Global equity securities	1,781	1,674	107	—	1,833	1,832	1	—
Equity commingled funds	1,851	19	1,832	—	2,446	—	2,446	—
Fixed Income securities:								
Corporate debt securities	773	183	590	—	614	—	614	—
Government and agency obligations	1,213	140	1,073	—	812	—	812	—
Fixed income commingled funds	1,037	44	969	24	968	—	968	—
Other investments:								
Partnership investments[c]	61	—	6	55	69	—	5	64
Insurance contracts	425	1	150	274	421	—	121	300
Other[d]	1,116	46	326	744	858	—	358	500
Total	8,588	2,132	5,359	1,097	8,250	1,832	5,554	864
U.S. postretirement plans[b]								
Cash and cash equivalents	18	1	17	—	29	—	29	—
Equity securities:								
Global equity securities	89	89	—	—	105	105	—	—
Equity commingled funds	49	—	45	4	56	—	56	—
Fixed Income securities:								
Corporate debt securities	79	—	79	—	50	—	50	—
Government and agency obligations	30	—	30	—	30	—	30	—
Fixed income commingled funds	6	—	6	—	16	—	16	—
Other investments:								
Partnership investments[c]	25	—	—	25	23	—	23	—
Insurance contracts	437	—	437	—	415	—	415	—
Other commingled funds[d]	29	—	—	29	17	—	17	—
Total	$ 762	$ 90	$ 614	$ 58	$ 741	$ 105	$ 636	$ —

[a] Fair values are determined based on valuation inputs categorized as Level 1, 2 or 3 (see *Note 1E*).
[b] Reflects postretirement plan assets, which support a portion of our U.S. retiree medical plans.
[c] Primarily includes investments in private equity, private debt and, to a lesser extent, real estate and venture capital.
[d] Primarily includes, for U.S. plan assets, investments in hedge funds and, to a lesser extent, real estate and, for international plan assets, investments in real estate and hedge funds.

The following table provides an analysis of the changes in our more significant investments valued using significant unobservable inputs:

	Year Ended December 31,							
	U.S. Qualified Pension Plans				International Pension Plans			
	Partnership investments		Other commingled funds		Insurance contracts		Other	
(MILLIONS OF DOLLARS)	**2014**	2013	**2014**	2013	**2014**	2013	**2014**	2013
Fair value, beginning	**$ 932**	$ 950	**$ 715**	$ 673	**$ 300**	$ 346	**$ 500**	$ 389
Actual return on plan assets:								
Assets held, ending	**104**	86	**47**	18	**23**	15	**47**	13
Assets sold during the period	**—**	—	**(7)**	(6)	**—**	—	**8**	—
Purchases, sales and settlements, net	**(78)**	(105)	**341**	31	**(20)**	(40)	**254**	69
Transfer into/(out of) Level 3	**—**	—	**—**	—	**—**	(16)	**(19)**	27
Exchange rate changes	**—**	—	**—**	—	**(29)**	(5)	**(46)**	2
Fair value, ending	**$ 958**	$ 932	**$ 1,096**	$ 715	**$ 274**	$ 300	**$ 744**	$ 500

A single estimate of fair value can result from a complex series of judgments about future events and uncertainties and can rely heavily on estimates and assumptions. For a description of our general accounting policies associated with developing fair value estimates, see *Note 1E.* For a description of the risks associated with estimates and assumptions, see *Note 1C.*

Specifically, the following methods and assumptions were used to estimate the fair value of our pension and postretirement plans' assets:

- Cash and cash equivalents, Equity commingled funds, Fixed-income commingled funds—observable prices.
- Global equity securities—quoted market prices.
- Government and agency obligations, Corporate debt securities—observable market prices.
- Other investments—principally unobservable inputs that are significant to the estimation of fair value. These unobservable inputs could include, for example, the investment managers' assumptions about earnings multiples and future cash flows.

We periodically review the methodologies, inputs and outputs of third-party pricing services for reasonableness.

The following table provides the long-term target asset allocations ranges and the percentage of the fair value of plan assets for benefit plans:

	As of December 31,		
	Target Allocation Percentage	Percentage of Plan Assets	
(PERCENTAGES)	**2014**	**2014**	2013
U.S. qualified pension plans			
Cash and cash equivalents	**0-10%**	**5.9%**	2.8%
Equity securities	**35-55%**	**41.2%**	51.5%
Fixed Income securities	**28-53%**	**34.5%**	30.7%
Other investments	**5-20%**	**18.4%**	15.0%
Total	**100%**	**100%**	100%
International pension plans			
Cash and cash equivalents	**0-10%**	**3.9%**	2.8%
Equity securities	**35-55%**	**42.3%**	51.9%
Fixed Income securities	**28-53%**	**35.2%**	29.0%
Other investments	**5-20%**	**18.6%**	16.3%
Total	**100%**	**100%**	100%
U.S. postretirement plans			
Cash and cash equivalents	**0-5%**	**2.4%**	4.0%
Equity securities	**10-35%**	**18.1%**	21.7%
Fixed Income securities	**5-30%**	**15.1%**	13.0%
Other investments	**55-70%**	**64.4%**	61.3%
Total	**100%**	**100%**	100%

Global plan assets are managed with the objective of generating returns that will enable the plans to meet their future obligations, while seeking to minimize net periodic benefit costs and cash contributions over the long-term. We utilize long-term asset allocation ranges in the management of our plans' invested assets. Our long-term return expectations are developed based on a diversified, global investment strategy

that takes into account historical experience, as well as the impact of portfolio diversification, active portfolio management, and our view of current and future economic and financial market conditions. As market conditions and other factors change, we may adjust our targets accordingly and our asset allocations may vary from the target allocations.

Our long-term asset allocation ranges reflect our asset class return expectations and tolerance for investment risk within the context of the respective plans' long-term benefit obligations. These ranges are supported by analysis that incorporates historical and expected returns by asset class, as well as volatilities and correlations across asset classes and our liability profile.

The investment managers of certain commingled funds and private equity funds may be permitted to use derivative securities as described in each respective investment management, subscription, partnership or other governing agreement.

E. Cash Flows

It is our practice to fund amounts for our qualified pension plans that are at least sufficient to meet the minimum requirements set forth in applicable employee benefit laws and local tax laws.

The following table provides the expected future cash flow information related to our benefit plans:

	Pension Plans			
(MILLIONS OF DOLLARS)	U.S. Qualified	U.S. Supplemental (Non-Qualified)	International	Postretirement Plans
Expected employer contributions:				
2015[a]	$ 1,000	$ 136	$ 227	$ 91
Expected benefit payments:				
2015	$ 904	$ 136	$ 368	$ 261
2016	870	118	376	211
2017	932	124	383	216
2018	1,021	129	390	220
2019	949	114	399	222
2020–2024	4,874	547	2,125	1,146

[a] For the U.S. Qualified plan, the $1.0 billion voluntary contribution was paid in January 2015.

The table reflects the total U.S. and international plan benefits projected to be paid from the plans or from our general assets under the current actuarial assumptions used for the calculation of the benefit obligation and, therefore, actual benefit payments may differ from projected benefit payments.

F. Defined Contribution Plans

We have defined contribution plans in the U.S. and several other countries. For the majority of the U.S. defined contribution plans, employees may contribute a portion of their salaries and bonuses to the plans, and we match, in cash, a portion of the employee contributions. Beginning on January 1, 2011, for new non-union employees in the U.S. or Puerto Rico, we no longer offer a defined benefit pension plan and, instead, offer an enhanced benefit under our defined contribution plans. The enhanced benefit consists of a non-contributory employer contribution determined based on each employee's eligible compensation, age and years of service. We recorded charges related to the employer contributions to global defined contribution plans of $278 million in 2014, $266 million in 2013 and $297 million in 2012.

Note 12. Equity

A. Common Stock

We purchase our common stock through privately negotiated transactions or in open market purchases as circumstances and prices warrant. Purchased shares under each of the share-purchase plans, which are authorized by our Board of Directors, are available for general corporate purposes. Our December 2011 $10 billion share-purchase plan was exhausted in the first quarter of 2013. Our November 2012 $10 billion share-purchase plan was exhausted in the fourth quarter of 2013. On June 27, 2013, we announced that the Board of Directors had authorized an additional $10 billion share-purchase plan, and share purchases commenced thereunder in October 2013. On October 23, 2014, we announced that the Board of Directors had authorized an additional $11 billion share-purchase plan (the October 2014 Stock Purchase Plan). After giving effect to share purchases through year-end 2014, our remaining share-purchase authorization was approximately $11.5 billion at December 31, 2014.

- In 2014, we purchased approximately 165 million shares of our common stock for approximately $5.0 billion under our publicly announced share-purchase plans.
- In 2013, we purchased approximately 563 million shares of our common stock for approximately $16.3 billion under our publicly announced share-purchase plans. In addition, we exchanged all of our remaining interest in Zoetis for approximately 405.117 million shares of our common stock, valued at $11.4 billion. The common stock received in the exchange transaction was recorded in *Treasury stock*. For additional information, see *Note 2D.*

- In 2012, we purchased approximately 349 million shares of our common stock for approximately $8.2 billion under our publicly announced share-purchase plans.

B. Preferred Stock

The Series A convertible perpetual preferred stock is held by an employee stock ownership plan (Preferred ESOP) Trust and provides dividends at the rate of 6.25%, which are accumulated and paid quarterly. The per-share stated value is $40,300 and the preferred stock ranks senior to our common stock as to dividends and liquidation rights. Each share is convertible, at the holder's option, into 2,574.87 shares of our common stock with equal voting rights. The conversion option is indexed to our common stock and requires share settlement, and, therefore, is reported at the fair value at the date of issuance. We may redeem the preferred stock at any time or upon termination of the Preferred ESOP, at our option, in cash, in shares of common stock, or a combination of both at a price of $40,300 per share.

C. Employee Stock Ownership Plans

We have two employee stock ownership plans (collectively, the ESOPs), the Preferred ESOP and another that holds common stock of the Company (Common ESOP).

Allocated shares held by the Common ESOP, including reinvested dividends, are considered outstanding for the earnings per share (EPS) calculations and the eventual conversion of allocated preferred shares held by the Preferred ESOP are assumed in the diluted EPS calculation. As of December 31, 2014, the Preferred ESOP held preferred shares convertible into approximately 2 million shares of our common stock, and the Common ESOP held approximately 61 million shares of our common stock. As of December 31, 2014, all shares of preferred and common stock held by the ESOPs have been allocated to the Pfizer U.S. and certain Puerto Rico defined contribution plan participants. The compensation cost related to the common ESOPs was $136 million in 2014, $133 million in 2013 and $139 million in 2012.

Note 13. Share-Based Payments

Our compensation programs can include share-based payments, in the form of Restricted Stock Units (RSUs), stock options, Portfolio Performance Shares (PPSs), Total Shareholder Return Units (TSRUs), Performance Share Awards (PSAs) and restricted stock grants.

The 2014 Stock Plan (2014 Plan) replaced and superseded the 2004 Stock Plan (2004 Plan), as amended and restated. The 2014 Plan provides for 520 million shares to be authorized for grants, plus any shares remaining available for grant under the 2004 Plan as of April 24, 2014 (the carryforward shares). In addition, the 2014 Plan provides that the number of stock options, Stock Appreciation Rights (SARs) (known as TSRUs), RSUs, restricted stock awards or other performance-based awards that may be granted to any one individual during any 36-month period is limited to 20 million shares, and that RSUs, PPSs, PSAs and restricted stock grants count as 3 shares, while stock options and TSRUs count as 1 share, toward the maximum shares available under the 2014 plan. The 2004 Plan provided that the number of stock options, TSRUs or other performance-based awards granted to any one individual during any 36-month period was limited to 8 million shares, and that RSUs, PPSs, PSAs and restricted stock grants counted against the maximum available shares as 2 shares, while stock options and TSRUs counted as 1 share. As of December 31, 2014, 595 million shares were available for award.

Although not required to do so, we have used authorized and unissued shares and, to a lesser extent, treasury stock to satisfy our obligations under these programs.

A. Impact on Net Income

The following table provides the components of share-based compensation expense and the associated tax benefit (including those reported as part of discontinued operations in 2013 and 2012):

	Year Ended December 31,		
(MILLIONS OF DOLLARS)	**2014**	2013	2012
Restricted Stock Units	**$ 270**	$ 249	$ 235
Stock Options	**150**	140	157
Portfolio Performance Shares	**96**	56	14
Total Shareholder Return Units	**37**	37	35
Performance Share Awards	**30**	34	35
Directors' compensation	**3**	7	5
Share-based payment expense	**586**	523	481
Tax benefit for share-based compensation expense	**(179)**	(173)	(149)
Share-based payment expense, net of tax	**$ 407**	$ 350	$ 332

Amounts capitalized as part of inventory cost and the impact of modifications under our cost-reduction and productivity initiatives to share-based awards were not significant for any period presented. Generally, the modifications resulted in an acceleration of vesting, either in accordance with plan terms or at management's discretion.

B. Restricted Stock Units (RSUs)

RSUs are awarded to select employees and, when vested, entitle the holder to receive a specified number of shares of Pfizer common stock, including shares resulting from dividend equivalents paid on such RSUs. For RSUs granted during the periods presented, in virtually all instances, the units vest after three years of continuous service from the grant date.

We measure the value of RSU grants as of the grant date using the closing price of Pfizer common stock. The values determined through this fair value methodology generally are amortized on a straight-line basis over the vesting term into *Cost of sales, Selling, informational and administrative expenses*, and/or *Research and development expenses*, as appropriate.

The following table summarizes all RSU activity during 2014:

	Shares (Thousands)	Weighted-Average Grant Date Fair Value Per Share
Nonvested, December 31, 2013	32,751	$ 22.50
Granted	**10,188**	**32.11**
Vested	**(12,613)**	**19.74**
Reinvested dividend equivalents	**1,071**	**29.69**
Forfeited	**(1,461)**	**26.66**
Nonvested, December 31, 2014	**29,936**	**$ 26.99**

The following table provides data related to all RSU activity:

	Year Ended December 31,		
(MILLIONS OF DOLLARS)	**2014**	2013	2012
Total fair value of shares vested	**$ 401**	$ 379	$ 348
Total compensation cost related to nonvested RSU awards not yet recognized, pre-tax	**$ 255**	$ 239	$ 258
Weighted-average period over which RSU cost is expected to be recognized (years)	**1.8**	1.8	1.8

C. Stock Options

Stock options are awarded to select employees and, when vested, entitle the holder to purchase a specified number of shares of Pfizer common stock at a price per share equal to the closing market price of Pfizer common stock on the date of grant.

All eligible employees may receive stock option grants. No stock options were awarded to senior and other key management in any period presented; however, stock options were awarded to certain other employees. In virtually all instances, stock options granted since 2005 vest after three years of continuous service from the grant date and have a contractual term of 10 years. In most cases, stock options must be held for at least one year from the grant date before any vesting may occur. In the event of a sale or restructuring, options held by employees are immediately vested and are exercisable for a period from three months to their remaining term, depending on various conditions.

We measure the value of stock option grants as of the grant date using, for virtually all grants, the Black-Scholes-Merton option-pricing model. The values determined through this fair value methodology generally are amortized on a straight-line basis over the vesting term into *Cost of sales, Selling, informational and administrative expenses*, and/or *Research and development expenses*, as appropriate.

The following table provides the weighted-average assumptions used in the valuation of stock options:

	Year Ended December 31,		
	2014	2013	2012
Expected dividend yield[(a)]	**3.18%**	3.45%	4.10%
Risk-free interest rate[(b)]	**1.94%**	1.16%	1.28%
Expected stock price volatility[(c)]	**19.76%**	19.68%	23.78%
Expected term (years)[(d)]	**6.50**	6.50	6.50

(a) Determined using a constant dividend yield during the expected term of the option.
(b) Determined using the interpolated yield on U.S. Treasury zero-coupon issues.
(c) Determined using implied volatility, after consideration of historical volatility.
(d) Determined using historical exercise and post-vesting termination patterns.

The following table summarizes all stock option activity during 2014:

	Shares (Thousands)	Weighted-Average Exercise Price Per Share	Weighted-Average Remaining Contractual Term (Years)	Aggregate Intrinsic Value[a] (Millions)
December 31, 2013[b]	299,653	$ 24.33		
Granted	**44,599**	**32.23**		
Exercised	**(46,960)**	**21.44**		
Forfeited	**(4,396)**	**26.36**		
Expired	**(43,784)**	**36.85**		
Outstanding, December 31, 2014	**249,112**	**24.05**	**5.9**	**$ 1,815**
Vested and expected to vest, December 31, 2014[c]	**243,297**	**23.91**	**5.9**	**1,805**
Exercisable, December 31, 2014	**122,618**	**$ 21.19**	**3.6**	**$ 1,222**

[a] Market price of underlying Pfizer common stock less exercise price.
[b] Includes approximately 42 million stock options which expired on February 25, 2014 at a grant price of $37.15, which were granted under the 2001 Stock Plan. These stock options were not added into the amount of carry forward shares remaining available for grants under the 2004 Stock Plan.
[c] The number of options expected to vest takes into account an estimate of expected forfeitures.

The following table summarizes data related to all stock option activity:

	Year Ended December 31,		
(MILLIONS OF DOLLARS, EXCEPT PER STOCK OPTION AMOUNTS)	**2014**	2013	2012
Weighted-average grant date fair value per stock option	**$ 4.40**	$ 3.13	$ 2.79
Aggregate intrinsic value on exercise	**$ 458**	$ 578	$ 263
Cash received upon exercise	**$ 1,002**	$ 1,750	$ 568
Tax benefits realized related to exercise	**$ 131**	$ 160	$ 81
Total compensation cost related to nonvested stock options not yet recognized, pre-tax	**$ 147**	$ 120	$ 148
Weighted-average period over which stock option compensation cost is expected to be recognized (years)	**1.8**	1.7	1.7

D. Portfolio Performance Shares (PPSs)

PPSs are awards granted to select employees which, when vested, entitle the holder to receive, at the end of the performance period, a number of shares within a possible range of shares of Pfizer common stock, including shares resulting from dividend equivalents paid on such shares. For PPSs granted during the period presented, the awards vest after three years of continuous service from the grant date and the number of shares paid, if any, depends on the achievement of predetermined goals related to Pfizer's long-term product portfolio during a five-year performance period from the year of the grant date. The target number of shares is determined by reference to competitive survey data. The number of shares that may be earned over the performance period ranges from 0% to 200% of the initial award.

We measure the value of PPS grants as of the grant date using the intrinsic value method, for which we use the closing price of Pfizer common stock. The values are amortized on a straight-line basis over the probable vesting term into *Cost of sales, Selling, informational and administrative expenses* and/or *Research and development expenses,* as appropriate, and adjusted each reporting period, as necessary, to reflect changes in the price of Pfizer's common stock, changes in the number of shares that are probable of being earned and changes in management's assessment of the probability that the specified performance criteria will be achieved and/or changes in management's assessment of the probable vesting term.

The following table summarizes all PPS activity during 2014, with the shares representing the maximum award that could be achieved:

	Shares (Thousands)	Weighted-Average Intrinsic Value Per Share
Nonvested, December 31, 2013	11,324	$ 30.63
Granted	**8,377**	**32.23**
Vested[a]	**(7)**	**30.18**
Forfeited	**(817)**	**30.10**
Nonvested, December 31, 2014[a]	**18,877**	**$ 31.15**

[a] Vested and non-vested shares outstanding, but not paid as of December 31, 2014 were 18,877.

The following table provides data related to all PPS activity:

(MILLIONS OF DOLLARS)	Year Ended December 31, 2014	2013	2012
Total fair value of shares vested	**$ —**	$ —	$ —
Total compensation cost related to nonvested PPS awards not yet recognized, pre-tax	**$ 139**	$ 107	$ 33
Weighted-average period over which PPS cost is expected to be recognized (years)	**1.8**	2.0	2.2

E. Total Shareholder Return Units (TSRUs)

TSRUs are awarded to senior and other key management. TSRUs entitle the holders to receive a number of shares of our common stock with a value equal to the difference between the defined settlement price and the grant price, plus the dividends accumulated during the five-year or seven-year term, if and to the extent the total value is positive. The settlement price is the average closing price of Pfizer common stock during the 20 trading days ending on the fifth or seventh anniversary of the grant, as applicable; the grant price is the closing price of Pfizer common stock on the date of the grant.

The TSRUs are automatically settled on the fifth or seventh anniversary of the grant but vest on the third anniversary of the grant, after which time there is no longer a substantial risk of forfeiture. The target number of shares is determined by reference to the fair value of share-based awards to similar employees in the industry peer group.

We measure the value of TSRU grants as of the grant date using a Monte Carlo simulation model. The values determined through this fair value methodology generally are amortized on a straight-line basis over the vesting term into *Cost of sales, Selling, informational and administrative expenses*, and/or *Research and development expenses*, as appropriate.

The following table provides the weighted-average assumptions used in the valuation of TSRUs:

	Year Ended December 31, 2014	2013	2012
Expected dividend yield[a]	**3.18%**	3.45%	4.10%
Risk-free interest rate[b]	**1.78%**	1.03%	1.15%
Expected stock price volatility[c]	**19.76%**	19.68%	23.80%
Contractual term (years)	**5.97**	5.98	5.97

[a] Determined using a constant dividend yield during the expected term of the TSRU.
[b] Determined using the interpolated yield on U.S. Treasury zero-coupon issues.
[c] Determined using implied volatility, after consideration of historical volatility.

The following table summarizes all TSRU activity during 2014:

	Share Units (Thousands)	Weighted-Average Grant Date Fair Value Per Share Unit	Weighted-Average Grant Price Per Share Unit
Nonvested, December 31, 2013	24,195	$ 4.77	$ 22.30
Granted	**6,288**	**6.51**	**32.23**
Vested	**(8,727)**	**4.74**	**19.38**
Forfeited	**(821)**	**5.10**	**25.87**
Nonvested, December 31, 2014	**20,935**	**$ 5.29**	**$ 26.40**

The following table summarizes all outstanding TSRU activity as of December 31, 2014[a]:

	Share Units (Thousands)	Weighted-Average Grant Price Per Share Unit	Weighted-Average Remaining Contractual Term (Years)	Aggregate Intrinsic Value (Millions)
Outstanding	**34,842**	**$ 23.41**	**3.1**	**$ 360**
Vested	**13,907**	**18.92**	**1.6**	**220**
Expected to vest	**20,935**	**26.40**	**4.1**	**140**

[a] In 2014, we settled 5,124,197 share units with a weighted-average grant price of $14.67 per share unit.

The following table provides data related to all TSRU activity:

(MILLIONS OF DOLLARS, EXCEPT PER TSRU AMOUNTS)	Year Ended December 31, 2014	2013	2012
Weighted-average grant date fair value per TSRU	**$ 6.51**	$ 5.14	$ 4.48
Total compensation cost related to nonvested TSRU grants not yet recognized, pre-tax	**$ 30**	$ 31	$ 31
Weighted-average period over which TSRU cost is expected to be recognized (years)	**1.8**	1.6	1.7

F. Performance Share Awards (PSAs)

PSAs are awarded to senior and other key management. PSAs vest after three years of continuous service from the grant date. The number of shares paid, if any, including shares resulting from dividend equivalents, depends upon the achievement of predetermined goals related to Pfizer's total shareholder return as compared to an industry peer group, for the three-year performance period from the year of the grant date. The target number of shares is determined by reference to the value of share-based awards to similar employees in the industry peer group. The number of shares that are earned over the performance period ranges from 0% to 200% of the initial award.

We measure the value of PSA grants as of the grant date using the intrinsic value method, for which we use the closing price of Pfizer common stock. The values are amortized on a straight-line basis over the probable vesting term into *Cost of sales, Selling, informational and administrative expenses*, and/or *Research and development expenses*, as appropriate, and adjusted each reporting period, as necessary, to reflect changes in the price of Pfizer's common stock, changes in the number of shares that are probable of being earned and changes in management's assessment of the probability that the specified performance criteria will be achieved.

The following table summarizes all PSA activity during 2014, with the shares granted representing the maximum award that could be achieved:

	Shares (Thousands)	Weighted-Average Intrinsic Value Per Share
Nonvested, December 31, 2013	5,039	$ 30.63
Granted	**1,202**	**32.17**
Vested	**(1,231)**	**31.99**
Forfeited	**(920)**	**31.74**
Nonvested, December 31, 2014	**4,090**	**$ 31.15**

The following table provides data related to all PSA activity:

(MILLIONS OF DOLLARS)	Year Ended December 31, 2014	2013	2012
Total fair value of shares vested	**$ 39**	$ 40	$ 13
Total compensation cost related to nonvested PSA grants not yet recognized, pre-tax	**$ 21**	$ 25	$ 27
Weighted-average period over which PSA cost is expected to be recognized (years)	**1.7**	1.7	1.7

Note 14. Earnings Per Common Share Attributable to Pfizer Inc. Common Shareholders

The following table provides the detailed calculation of *Earnings per common share (EPS):*

	Year Ended December 31,		
(IN MILLIONS)	**2014**	2013	2012
EPS Numerator—Basic			
Income from continuing operations	**$ 9,119**	$ 11,410	$ 9,021
Less: Net income attributable to noncontrolling interests	**32**	30	28
Income from continuing operations attributable to Pfizer Inc.	**9,087**	11,380	8,993
Less: Preferred stock dividends—net of tax	**1**	2	2
Income from continuing operations attributable to Pfizer Inc. common shareholders	**9,086**	11,378	8,991
Discontinued operations—net of tax	**48**	10,662	5,577
Less: Discontinued operations—net of tax, attributable to noncontrolling interests	**—**	39	—
Discontinued operations—net of tax, attributable to Pfizer Inc. common shareholders	**48**	10,623	5,577
Net income attributable to Pfizer Inc. common shareholders	**$ 9,134**	$ 22,001	$ 14,568
EPS Numerator—Diluted			
Income from continuing operations attributable to Pfizer Inc. common shareholders and assumed conversions	**$ 9,087**	$ 11,380	$ 8,993
Discontinued operations—net of tax, attributable to Pfizer Inc. common shareholders and assumed conversions	**48**	10,623	5,577
Net income attributable to Pfizer Inc. common shareholders and assumed conversions	**$ 9,135**	$ 22,003	$ 14,570
EPS Denominator			
Weighted-average number of common shares outstanding—Basic	**6,346**	6,813	7,442
Common-share equivalents: stock options, stock issuable under employee compensation plans and convertible preferred stock	**78**	82	66
Weighted-average number of common shares outstanding—Diluted	**6,424**	6,895	7,508
Stock options that had exercise prices greater than the average market price of our common stock issuable under employee compensation plans[(a)]	**44**	43	177

[(a)] These common stock equivalents were outstanding for the years ended December 31, 2014, 2013 and 2012, but were not included in the computation of diluted EPS for those periods because their inclusion would have had an anti-dilutive effect.

Note 15. Lease Commitments

We lease properties and equipment for use in our operations. In addition to rent, the leases may require us to pay directly for taxes, insurance, maintenance and other operating expenses or to pay higher rent when operating expenses increase. Rental expense, net of sublease income, was $216 million in 2014, $233 million in 2013 and $301 million in 2012.

The future minimum rental commitments under non-cancelable operating leases follow:

(MILLIONS OF DOLLARS)	2015	2016	2017	2018	2019	After 2019
Lease commitments	$ 183	$ 159	$ 151	$ 112	$ 88	$ 774

Note 16. Insurance

Our insurance coverage reflects market conditions (including cost and availability) existing at the time it is written, and our decision to obtain insurance coverage or to self-insure varies accordingly. Depending upon the cost and availability of insurance and the nature of the risk involved, the amount of self-insurance may be significant. The cost and availability of coverage have resulted in self-insuring certain exposures, including product liability. If we incur substantial liabilities that are not covered by insurance or substantially exceed insurance coverage and that are in excess of existing accruals, there could be a material adverse effect on our cash flows or results of operations in the period in which the amounts are paid and/or accrued (see *Note 17*).

Note 17. Commitments and Contingencies

We and certain of our subsidiaries are subject to numerous contingencies arising in the ordinary course of business. For a discussion of our tax contingencies, see *Note 5D*.

A. Legal Proceedings

Our non-tax contingencies include, but are not limited to, the following:

- Patent litigation, which typically involves challenges to the coverage and/or validity of our patents on various products, processes or dosage forms. We are the plaintiff in the vast majority of these actions. An adverse outcome in actions in which we are the plaintiff could result in a loss of patent protection for the drug at issue, a significant loss of revenues from that drug and impairments of any associated assets.
- Product liability and other product-related litigation, which can include personal injury, consumer, off-label promotion, securities-law, antitrust and breach of contract claims, among others, often involves highly complex issues relating to medical causation, label warnings and reliance on those warnings, scientific evidence and findings, actual, provable injury and other matters.
- Commercial and other matters, which can include merger-related and product-pricing claims and environmental claims and proceedings, can involve complexities that will vary from matter to matter.
- Government investigations, which often are related to the extensive regulation of pharmaceutical companies by national, state and local government agencies in the U.S. and in other countries.

Certain of these contingencies could result in losses, including damages, fines and/or civil penalties, and/or criminal charges, which could be substantial.

We believe that our claims and defenses in these matters are substantial, but litigation is inherently unpredictable and excessive verdicts do occur. We do not believe that any of these matters will have a material adverse effect on our financial position. However, we could incur judgments, enter into settlements or revise our expectations regarding the outcome of certain matters, and such developments could have a material adverse effect on our results of operations in the period in which the amounts are accrued and/or our cash flows in the period in which the amounts are paid.

We have accrued for losses that are both probable and reasonably estimable. Substantially all of our contingencies are subject to significant uncertainties and, therefore, determining the likelihood of a loss and/or the measurement of any loss can be complex. Consequently, we are unable to estimate the range of reasonably possible loss in excess of amounts accrued. Our assessments are based on estimates and assumptions that have been deemed reasonable by management, but the assessment process relies heavily on estimates and assumptions that may prove to be incomplete or inaccurate, and unanticipated events and circumstances may occur that might cause us to change those estimates and assumptions.

Amounts recorded for legal and environmental contingencies can result from a complex series of judgments about future events and uncertainties and can rely heavily on estimates and assumptions.

The principal pending matters to which we are a party are discussed below. In determining whether a pending matter is a principal matter, we consider both quantitative and qualitative factors in order to assess materiality, such as, among other things, the amount of damages and the nature of any other relief sought in the proceeding, if such damages and other relief are specified; our view of the merits of the claims and of the strength of our defenses; whether the action purports to be a class action and our view of the likelihood that a class will be certified by the court; the jurisdiction in which the proceeding is pending; any experience that we or, to our knowledge, other companies have had in similar proceedings; whether disclosure of the action would be important to a reader of our financial statements, including whether disclosure might change a reader's judgment about our financial statements in light of all of the information about the Company that is available to the reader; the potential impact of the proceeding on our reputation; and the extent of public interest in the matter. In addition, with respect to patent matters, we consider, among other things, the financial significance of the product protected by the patent. As a result of considering qualitative factors in our determination of principal matters, there are some matters discussed below with respect to which management believes that the likelihood of possible loss in excess of amounts accrued is remote.

A1. Legal Proceedings—Patent Litigation

Like other pharmaceutical companies, we are involved in numerous suits relating to our patents, including but not limited to, those discussed below. Most of the suits involve claims by generic drug manufacturers that patents covering our products, processes or dosage forms are invalid and/or do not cover the product of the generic drug manufacturer. Also, counterclaims, as well as various independent actions, have been filed claiming that our assertions of, or attempts to enforce, our patent rights with respect to certain products constitute unfair competition and/or violations of antitrust laws. In addition to the challenges to the U.S. patents on a number of our products that are discussed below, we note that the patent rights to certain of our products are being challenged in various other countries. Also, our licensing and collaboration partners face challenges by generic drug manufacturers to patents covering several of their products that may impact our licenses or co-promotion rights to such products.

Actions In Which We Are The Plaintiff

Viagra (sildenafil)
In October 2010, we filed a patent-infringement action with respect to Viagra in the U.S. District Court for the Southern District of New York against Apotex Inc. and Apotex Corp., Mylan Pharmaceuticals Inc. (Mylan) and Mylan Inc. and Actavis, Inc. These generic drug manufacturers have filed abbreviated new drug applications with the FDA seeking approval to market their generic versions of Viagra. They assert the invalidity and non-infringement of the Viagra method-of-use patent, which expires in 2020 (including the six-month pediatric exclusivity period resulting from the Company's conduct of clinical studies to evaluate Revatio in the treatment of pediatric patients with pulmonary arterial hypertension; Viagra and Revatio have the same active ingredient, sildenafil).

In May and June 2011, Watson Laboratories Inc. (Watson) and Hetero Labs Limited (Hetero), respectively, notified us that they had filed abbreviated new drug applications with the FDA seeking approval to market their generic versions of Viagra. Each asserts the invalidity and non-infringement of the Viagra method-of-use patent. In June and July 2011, we filed actions against Watson and Hetero, respectively, in the U.S. District Court for the Southern District of New York asserting the validity and infringement of the Viagra method-of-use patent.

Sutent (sunitinib malate)
In May 2010, Mylan notified us that it had filed an abbreviated new drug application with the FDA seeking approval to market a generic version of Sutent and challenging on various grounds the Sutent basic patent, which expires in 2021, and two other patents that expire in 2020 and 2021, respectively. In June 2010, we filed suit against Mylan in the U.S. District Court for the District of Delaware asserting the infringement of those three patents. The patent expiring in 2020 was dismissed from the case prior to trial. In October 2014, the court held that the two patents expiring in 2021 were valid and infringed. In October 2014, Mylan appealed the decision to the U.S. Court of Appeals for the Federal Circuit.

Lyrica (pregabalin)
In May and June 2011, Apotex Inc. notified us that it had filed abbreviated new drug applications with the FDA seeking approval to market generic versions of Lyrica oral solution and Lyrica capsules, respectively. Apotex Inc. asserts the invalidity and non-infringement of the basic patent, as well as the seizure patent that expired in October 2013. In July 2011, we filed an action against Apotex Inc. in the U.S. District Court for the District of Delaware asserting the validity and infringement of the challenged patents in connection with both abbreviated new drug applications. In January 2015, the District Court entered a stipulated dismissal, and as a result, Apotex Inc. cannot obtain FDA approval for, or market in the U.S., its generic versions of Lyrica prior to the expiration of the basic patent in December 2018.

EpiPen
In July 2010, King Pharmaceuticals, Inc. (King), which we acquired in 2011 and is a wholly owned subsidiary, brought a patent-infringement action against Sandoz, Inc., a division of Novartis AG (Sandoz), in the U.S. District Court for the District of New Jersey in connection with Sandoz's abbreviated new drug application with the FDA that seeks approval to market an epinephrine injectable product. Sandoz is challenging patents, which expire in 2025, covering the next-generation autoinjector for use with epinephrine that is sold under the EpiPen brand name.

Celebrex (celecoxib)
In March 2013, the U.S. Patent and Trademark Office granted us a reissue patent covering methods of treating osteoarthritis and other approved conditions with celecoxib, the active ingredient in Celebrex. The reissue patent, including the six-month pediatric exclusivity period, expires in December 2015. On the date that the reissue patent was granted, we filed suit against Teva Pharmaceuticals USA, Inc. (Teva USA), Mylan, Watson (as predecessor to Actavis plc), Lupin Pharmaceuticals USA, Inc. (Lupin), Apotex Corp. and Apotex Inc. in the U.S. District Court for the Eastern District of Virginia, asserting the infringement of the reissue patent. Each of the defendant generic drug companies had previously filed an abbreviated new drug application with the FDA seeking approval to market a generic version of celecoxib beginning in May 2014, upon the expiration of the basic patent (including the six-month pediatric exclusivity period) for celecoxib. In March 2014, the court granted the defendants' motion for summary judgment, invalidating the reissue patent. In May 2014, we appealed the District Court's decision to the U.S. Court of Appeals for the Federal Circuit.

In April 2014, we entered into settlement agreements with two of the defendants, Teva USA and Watson, pursuant to which we granted licenses to the reissue patent permitting Teva USA and Watson to launch generic versions of celecoxib in the U.S. beginning in December 2014. In June 2014 and October 2014, we entered into settlement agreements with Mylan and Lupin, respectively, pursuant to which we granted licenses to the reissue patent permitting Mylan and Lupin to launch generic versions of celecoxib in the U.S. beginning in December 2014. In December 2014, Teva USA, Watson, Mylan and Lupin commenced marketing of generic versions of celecoxib.

Toviaz (fesoterodine)
We have an exclusive, worldwide license to market Toviaz from UCB Pharma GmbH, which owns the patents relating to Toviaz.

Beginning in May 2013, several generic drug manufacturers notified us that they had filed abbreviated new drug applications with the FDA seeking approval to market generic versions of Toviaz and asserting the invalidity, unenforceability and/or non-infringement of all of our patents for Toviaz that are listed in the Orange Book. Beginning in June 2013, we filed actions against all of those generic drug manufacturers in the U.S. District Court for the District of Delaware, asserting the infringement of five of the patents for Toviaz: three composition-of-matter patents and a method-of-use patent that expire in 2019; and a patent covering salts of fesoterodine that expires in 2022.

Tygacil (tigecycline)
In September 2013, Apotex Inc. notified us that it had filed an abbreviated new drug application with the FDA seeking approval to market a generic version of Tygacil. Apotex Inc. asserts the non-infringement of the polymorph patent for Tygacil that expires in 2030, but has not challenged the basic patent, which expires in 2016. In September 2013, we filed suit against Apotex Inc. in the U.S. District Court for the District of Delaware asserting the infringement of the polymorph patent.

In May 2014, CFT Pharmaceuticals LLC (CFT) notified us that it had filed an abbreviated new drug application with the FDA seeking approval to market a generic version of Tygacil. CFT asserts the invalidity and non-infringement of (i) the polymorph patent for Tygacil and (ii) the formulation patent for Tygacil that expires in 2029, but has not challenged the basic patent. In June 2014, we filed suit against CFT in the U.S. District Court for the District of Delaware asserting the validity and infringement of the polymorph patent and the formulation patent for Tygacil.

In May 2014, Aurobindo Pharma Limited (Aurobindo) notified us that it had filed an abbreviated new drug application with the FDA seeking approval to market a generic version of Tygacil. Aurobindo asserts the invalidity and non-infringement of (i) the polymorph patent for Tygacil, and (ii) the formulation patent for Tygacil, but has not challenged the basic patent. In July 2014, we filed suit against Aurobindo in the U.S. District Court for the District of Delaware, asserting the validity and infringement of the polymorph patent and the formulation patent for Tygacil.

Action In Which Our Licensing Partner Is The Plaintiff

Nexium 24HR (esomeprazole)
We have an exclusive license to market in the U.S. the over-the-counter version of Nexium from AstraZeneca (Nexium 24HR). Beginning in October 2014, Actavis Laboratories FL, Inc., and then subsequently Andrx Labs, LLC (Andrx), and Perrigo Company plc (Perrigo), notified us that they had filed abbreviated new drug applications with the FDA seeking approval to market generic versions of Nexium 24HR prior to the expiration of one or more of AstraZeneca's patents listed in the FDA Orange Book for Nexium 24HR. In November 2014, December 2014 and February 2015, AstraZeneca filed actions against Actavis Laboratories FL, Inc., Andrx and Perrigo, respectively, in the U.S. District Court for the District of New Jersey asserting the infringement of the challenged patents. We are not a party to AstraZeneca's patent-infringement action.

Action In Which We Are The Defendant

Effexor XR (venlafaxine HCl)
In 2006, Wyeth and Wyeth Canada Limited (the Wyeth companies) filed an action in the Federal Court in Canada against Ratiopharm Inc. (Ratiopharm) seeking to prevent Ratiopharm from obtaining approval in Canada for its generic version of Effexor XR prior to the expiration of one of the Wyeth companies' patents. As a result of that action, Ratiopharm was enjoined from obtaining regulatory approval for its generic product. However, in August 2007, the Federal Court of Appeal in Canada ruled that the patent at issue could not be asserted against Ratiopharm under the applicable Canadian regulations governing approvals, and it dismissed the Wyeth companies' action.

Following the dismissal, in 2007, Ratiopharm filed an action in the Federal Court in Canada seeking damages from the Wyeth companies for preventing Ratiopharm from marketing its generic version of Effexor XR in Canada from January 2006 through August 2007. The Federal Court dismissed Ratiopharm's action in 2011, but the Federal Court of Appeal reinstated it in 2012. In 2011 and 2012, Pfizer made payments to Teva Canada Limited, which had acquired Ratiopharm, totaling Canadian dollars 52.5 million in partial settlement of this action.

The trial in this action was held in January 2014, and the court issued various findings in March 2014. On June 30, 2014, the Federal Court in Canada issued a judgment based on those findings, awarding Teva Canada Limited damages of approximately Canadian dollars 125 million, consisting of compensatory damages, pre-judgment interest and legal costs. This judgment was satisfied by Pfizer Canada Inc., as successor to the Wyeth companies, in July 2014. In September 2014, Pfizer Canada Inc. appealed the judgment.

A2. Legal Proceedings—Product Litigation

Like other pharmaceutical companies, we are defendants in numerous cases, including but not limited to those discussed below, related to our pharmaceutical and other products. Plaintiffs in these cases seek damages and other relief on various grounds for alleged personal injury and economic loss.

Asbestos
Between 1967 and 1982, Warner-Lambert owned American Optical Corporation, which manufactured and sold respiratory protective devices and asbestos safety clothing. In connection with the sale of American Optical in 1982, Warner-Lambert agreed to indemnify the purchaser for certain liabilities, including certain asbestos-related and other claims. As of December 31, 2014, approximately 61,000 claims naming American Optical and numerous other defendants were pending in various federal and state courts seeking damages for alleged personal injury from exposure to asbestos and other allegedly hazardous materials. Warner-Lambert was acquired by Pfizer in 2000 and is now a wholly owned subsidiary of Pfizer. Warner-Lambert is actively engaged in the defense of, and will continue to explore various means of resolving, these claims.

Numerous lawsuits are pending against Pfizer in various federal and state courts seeking damages for alleged personal injury from exposure to products containing asbestos and other allegedly hazardous materials sold by Gibsonburg Lime Products Company (Gibsonburg). Gibsonburg was acquired by Pfizer in the 1960s and sold products containing small amounts of asbestos until the early 1970s.

There also are a small number of lawsuits pending in various federal and state courts seeking damages for alleged exposure to asbestos in facilities owned or formerly owned by Pfizer or its subsidiaries.

Celebrex and Bextra
Beginning in late 2004, several purported class actions were filed in federal and state courts alleging that Pfizer and certain of our current and former officers violated federal securities laws by misrepresenting the safety of Celebrex and Bextra. In June 2005, the federal actions were transferred for consolidated pre-trial proceedings to a Multi-District Litigation (*In re Pfizer Inc. Securities, Derivative and "ERISA" Litigation MDL-1688*) in the U.S. District Court for the Southern District of New York. In March 2012, the court in the Multi-District Litigation certified a class consisting of all persons who purchased or acquired Pfizer stock between October 31, 2000 and October 19, 2005. In May 2014, the court in the Multi-District Litigation granted Pfizer's motion to exclude the testimony of the plaintiffs' loss causation and damages expert. We

subsequently filed a motion for summary judgment seeking dismissal of the litigation, and the plaintiffs filed a motion for leave to submit an amended report by their expert. In July 2014, the court denied the plaintiffs' motion for leave to submit an amended report, and granted our motion for summary judgment, dismissing the plaintiffs' claims in their entirety. In August 2014, the plaintiffs appealed the District Court's decision to the U.S. Court of Appeals for the Second Circuit.

Various Drugs: Off-Label Promotion Action
In May 2010, a purported class action was filed in the U.S. District Court for the Southern District of New York against Pfizer and several of our current and former officers. The complaint alleges that the defendants violated federal securities laws by making or causing Pfizer to make false statements, and by failing to disclose or causing Pfizer to fail to disclose material information concerning the alleged off-label promotion of certain pharmaceutical products, alleged payments to physicians to promote the sale of those products and government investigations related thereto. Plaintiffs seek damages in an unspecified amount. In March 2012, the court certified a class consisting of all persons who purchased Pfizer common stock in the U.S. or on U.S. stock exchanges between January 19, 2006 and January 23, 2009 and were damaged as a result of the decline in the price of Pfizer common stock allegedly attributable to the claimed violations. In January 2015, the parties reached an agreement in principle to resolve the matter for $400 million. The agreement is subject to court approval and other conditions.

Various Drugs: Foreign Corrupt Practices Act Compliance
In February 2013, a shareholder derivative action was filed in the Supreme Court of the State of New York, County of New York, against certain current and former officers and directors of Pfizer. Pfizer is named as a nominal defendant. The complaint alleged that the individual defendants breached their fiduciary duties to the Company as the result of, among other things, inadequate oversight of compliance by Pfizer subsidiaries in various countries outside the U.S. with the U.S. Foreign Corrupt Practices Act. The plaintiff sought damages in unspecified amounts and other unspecified relief on behalf of Pfizer. In November 2014, the court granted defendants' motions to dismiss the complaint in its entirety.

Effexor

- *Personal Injury Actions*

A number of individual lawsuits and multi-plaintiff lawsuits have been filed against us and/or our subsidiaries in various federal and state courts alleging personal injury as a result of the purported ingestion of Effexor. Among other types of actions, the Effexor personal injury litigation includes actions alleging a variety of birth defects as a result of the purported ingestion of Effexor by women during pregnancy. Plaintiffs in these birth-defect actions seek compensatory and punitive damages. In August 2013, the federal birth-defect cases were transferred for consolidated pre-trial proceedings to a Multi-District Litigation (*In re Effexor (Venlafaxine Hydrochloride) Products Liability Litigation MDL-2458*) in the U.S. District Court for the Eastern District of Pennsylvania.

- *Antitrust Actions*

Beginning in May 2011, actions, including purported class actions, were filed in various federal courts against Wyeth and, in certain of the actions, affiliates of Wyeth and certain other defendants relating to Effexor XR, which is the extended-release formulation of Effexor. The plaintiffs in each of the class actions seek to represent a class consisting of all persons in the U.S. and its territories who directly purchased, indirectly purchased or reimbursed patients for the purchase of Effexor XR or generic Effexor XR from any of the defendants from June 14, 2008 until the time the defendants' allegedly unlawful conduct ceased. The plaintiffs in all of the actions allege delay in the launch of generic Effexor XR in the U.S. and its territories, in violation of federal antitrust laws and, in certain of the actions, the antitrust, consumer protection and various other laws of certain states, as the result of Wyeth fraudulently obtaining and improperly listing certain patents for Effexor XR, enforcing certain patents for Effexor XR, and entering into a litigation settlement agreement with a generic drug manufacturer with respect to Effexor XR. Each of the plaintiffs seeks treble damages (for itself in the individual actions or on behalf of the putative class in the purported class actions) for alleged price overcharges for Effexor XR or generic Effexor XR in the U.S. and its territories since June 14, 2008. All of these actions have been consolidated in the U.S. District Court for the District of New Jersey.

In October 2014, the District Court dismissed the direct purchaser plaintiffs' claims based on the litigation settlement agreement, but declined to dismiss the other direct purchaser plaintiff claims. In January 2015, the District Court entered partial final judgments as to all settlement agreement claims, including those asserted by direct purchasers and end-payer plaintiffs, which plaintiffs have appealed to the United States Court of Appeals for the Third Circuit. Motions to dismiss remain pending as to the end-payer plaintiffs' remaining claims.

Zoloft
A number of individual lawsuits and multi-plaintiff lawsuits have been filed against us and/or our subsidiaries in various federal and state courts alleging personal injury as a result of the purported ingestion of Zoloft. Among other types of actions, the Zoloft personal injury litigation includes actions alleging a variety of birth defects as a result of the purported ingestion of Zoloft by women during pregnancy. Plaintiffs in these birth-defect actions seek compensatory and punitive damages and the disgorgement of profits resulting from the sale of Zoloft. In April 2012, the federal birth-defect cases were transferred for consolidated pre-trial proceedings to a Multi-District Litigation (*In re Zoloft Products Liability Litigation MDL-2342*) in the U.S. District Court for the Eastern District of Pennsylvania.

Neurontin

A number of lawsuits, including purported class actions, have been filed against us in various federal and state courts alleging claims arising from the promotion and sale of Neurontin. The plaintiffs in the purported class actions seek to represent nationwide and certain statewide classes consisting of persons, including individuals, health insurers, employee benefit plans and other third-party payers, who purchased or reimbursed patients for the purchase of Neurontin that allegedly was used for indications other than those included in the product labeling approved by the FDA. In 2004, many of the suits pending in federal courts, including individual actions as well as purported class actions, were transferred for consolidated pre-trial proceedings to a Multi-District Litigation (In re Neurontin Marketing, Sales Practices and Product Liability Litigation MDL-1629) in the U.S. District Court for the District of Massachusetts.

In the Multi-District Litigation, the District Court (i) denied the plaintiffs' motion for certification of a nationwide class of all individual consumers and third-party payers who allegedly purchased or reimbursed patients for the purchase of Neurontin for off-label uses from 1994 through 2004, and (ii) dismissed actions by certain proposed class representatives for third-party payers and for individual consumers. In April 2013, the U.S. Court of Appeals for the First Circuit reversed the decision of the District Court dismissing the action by the third-party payer proposed class representatives and remanded that action to the District Court for further consideration, including reconsideration of class certification.

In December 2013, the U.S. Supreme Court denied our petition for certiorari seeking review of the First Circuit's decision reversing the dismissal of the third-party payer purported class action. In April 2014, we and the attorneys for the proposed class representatives and for the plaintiffs in various individual actions entered into an agreement-in-principle to settle the third-party payer purported class action, subject to court approval, as well as the pending individual actions by third-party payers, for an aggregate of $325 million. In November 2014, the District Court granted final approval of the settlement. Plaintiffs' counsel have agreed to dismiss with prejudice all Neurontin marketing lawsuits by consumers, including the purported statewide consumer class actions in California and Illinois. Some counsel have advised that certain plaintiffs can no longer be located.

Lipitor

- *Whistleblower Action*

In 2004, a former employee filed a "whistleblower" action against us in the U.S. District Court for the Eastern District of New York. The complaint remained under seal until September 2007, at which time the U.S. Attorney for the Eastern District of New York declined to intervene in the case. We were served with the complaint in December 2007. Plaintiff alleges off-label promotion of Lipitor in violation of the Federal Civil False Claims Act and the false claims acts of certain states, and he seeks treble damages and civil penalties on behalf of the federal government and the specified states as the result of their purchase, or reimbursement of patients for the purchase, of Lipitor allegedly for such off-label uses. Plaintiff also seeks compensation as a whistleblower under those federal and state statutes. In addition, plaintiff alleges that he was wrongfully terminated, in violation of the anti-retaliation provisions of applicable federal and New York law, and he seeks damages and the reinstatement of his employment. In 2009, the District Court dismissed without prejudice the off-label promotion claims and, in 2010, plaintiff filed an amended complaint containing off-label promotion allegations that are substantially similar to the allegations in the original complaint. In November 2012, the District Court dismissed the amended complaint. In December 2012, plaintiff appealed the District Court's decision to the U.S. Court of Appeals for the Second Circuit. In August 2014, the U.S. Court of Appeals for the Second Circuit dismissed the appeal for lack of jurisdiction, and sent the case back to the District Court for clarification of its ruling regarding the plaintiff's employment claims. In November 2014, the District Court granted plaintiff's motion for a partial final judgment certifying the dismissal of the false claims counts, and plaintiff appealed the order dismissing those claims to the U.S. Court of Appeals for the Second Circuit.

- *Antitrust Actions*

Beginning in November 2011, purported class actions relating to Lipitor were filed in various federal courts against, among others, Pfizer, certain affiliates of Pfizer, and, in most of the actions, Ranbaxy, Inc. (Ranbaxy) and certain affiliates of Ranbaxy. The plaintiffs in these various actions seek to represent nationwide, multi-state or statewide classes consisting of persons or entities who directly purchased, indirectly purchased or reimbursed patients for the purchase of Lipitor (or, in certain of the actions, generic Lipitor) from any of the defendants from March 2010 until the cessation of the defendants' allegedly unlawful conduct (the Class Period). The plaintiffs allege delay in the launch of generic Lipitor, in violation of federal antitrust laws and/or state antitrust, consumer protection and various other laws, resulting from (i) the 2008 agreement pursuant to which Pfizer and Ranbaxy settled certain patent litigation involving Lipitor, and Pfizer granted Ranbaxy a license to sell a generic version of Lipitor in various markets beginning on varying dates, and (ii) in certain of the actions, the procurement and/or enforcement of certain patents for Lipitor. Each of the actions seeks, among other things, treble damages on behalf of the putative class for alleged price overcharges for Lipitor (or, in certain of the actions, generic Lipitor) during the Class Period. In addition, individual actions have been filed against Pfizer, Ranbaxy and certain of their affiliates, among others, that assert claims and seek relief for the plaintiffs that are substantially similar to the claims asserted and the relief sought in the purported class actions described above. These various actions have been consolidated for pre-trial proceedings in a Multi-District Litigation (*In re Lipitor Antitrust Litigation MDL-2332*) in the U.S. District Court for the District of New Jersey.

In September 2013 and 2014, the District Court dismissed the claims by direct purchasers. In October 2014, the direct purchaser plaintiffs: (i) filed a motion to amend the judgment and for leave to amend their complaint and (ii) appealed the District Court's decision to the United States Court of Appeals for the Third Circuit. In October and November 2014, the District Court dismissed the claims of all other MDL plaintiffs, who subsequently appealed in November and December 2014 the District Court's decision to the United States Court of Appeals for the Third Circuit.

Also, in January 2013, the State of West Virginia filed an action in West Virginia state court against Pfizer and Ranbaxy, among others, that asserts claims and seeks relief on behalf of the State of West Virginia and residents of that state that are substantially similar to the claims asserted and the relief sought in the purported class actions described above.

- *Personal Injury Actions*

A number of individual and multi-plaintiff lawsuits have been filed against us in various federal and state courts alleging that the plaintiffs developed type 2 diabetes as a result of the purported ingestion of Lipitor. Plaintiffs seek compensatory and punitive damages. In February 2014, the federal actions were transferred for consolidated pre-trial proceedings to a Multi-District Litigation (*In re Lipitor (Atorvastatin Calcium) Marketing, Sales Practices and Products Liability Litigation (No. II) MDL-2502*) in the U.S. District Court for the District of South Carolina.

Chantix/Champix

Beginning in December 2008, purported class actions were filed against us in the Ontario Superior Court of Justice (Toronto Region), the Superior Court of Quebec (District of Montreal), the Court of Queen's Bench of Alberta, Judicial District of Calgary, and the Superior Court of British Columbia (Vancouver Registry) on behalf of all individuals and third-party payers in Canada who have purchased and ingested Champix or reimbursed patients for the purchase of Champix. Each of these actions asserts claims under Canadian product liability law,

including with respect to the safety and efficacy of Champix, and, on behalf of the putative class, seeks monetary relief, including punitive damages. In June 2012, the Ontario Superior Court of Justice certified the Ontario proceeding as a class action, defining the class as consisting of the following: (i) all persons in Canada who ingested Champix during the period from April 2, 2007 to May 31, 2010 and who experienced at least one of a number of specified neuropsychiatric adverse events; (ii) all persons who are entitled to assert claims in respect of Champix pursuant to Canadian legislation as the result of their relationship with a class member; and (iii) all health insurers who are entitled to assert claims in respect of Champix pursuant to Canadian legislation. The Ontario Superior Court of Justice certified the class against Pfizer Canada Inc. only and ruled that the action against Pfizer should be stayed until after the trial of the issues that are common to the class members. The actions in Quebec, Alberta and British Columbia have been stayed in favor of the Ontario action, which is proceeding on a national basis.

Celebrex
Beginning in July 2014, purported class actions were filed in the United States District Court for the Eastern District of Virginia against Pfizer and certain subsidiaries of Pfizer relating to Celebrex. The plaintiffs seek to represent U.S. nationwide or multi-state classes consisting of persons or entities who directly purchased from the defendants, or indirectly purchased or reimbursed patients for some or all of the purchase price of, Celebrex or generic Celebrex from May 31, 2014 until the cessation of the defendants' allegedly unlawful conduct. The plaintiffs allege delay in the launch of generic Celebrex in violation of federal antitrust laws or certain state antitrust, consumer protection and various other laws as a result of Pfizer fraudulently obtaining and improperly listing a patent on Celebrex, engaging in sham litigation, and prolonging the impact of sham litigation through settlement activity that further delayed generic entry. Each of the actions seeks treble damages on behalf of the putative class for alleged price overcharges for Celebrex since May 31, 2014. In December 2014, the District Court granted the parties' joint motions to consolidate the direct purchaser and end-payor cases, and consolidation will be sought for cases in accordance with that order.

Reglan
Reglan is a pro-motility medicine for the treatment of gastroesophageal reflux disease and diabetic gastroparesis that was marketed by Wyeth and a predecessor company from 1979 until the end of 2001, when Wyeth sold the product and transferred the new drug application to another pharmaceutical company. Generic versions of Reglan have been sold by other companies since 1985. Pfizer, as Wyeth's parent company, and certain wholly owned subsidiaries and limited liability companies, including Wyeth, along with several other pharmaceutical manufacturers, have been named as defendants in numerous actions in various federal and state courts alleging personal injury resulting from the use of Reglan and/or generic equivalents thereof. Plaintiffs in these actions seek to hold the defendants, including Pfizer and its affiliated companies, liable for a variety of personal injuries, including movement disorders such as Tardive Dyskinesia, allegedly resulting from the ingestion of Wyeth's product and/or products sold by other companies. A substantial majority of the claims involve the ingestion of generic versions of Reglan produced and sold by other companies. Claims against Pfizer and its affiliated companies are largely based on the novel theory of innovator liability under which plaintiffs allege that an innovator pharmaceutical company can be liable for injuries caused by the ingestion of generic forms of the product produced and sold by other companies. This theory of liability has been rejected by more than 100 federal and state courts, applying the laws of 30 states. However, a small number of courts have adopted the theory, including the Alabama Supreme Court in August 2014. Actions have been filed under the laws of those jurisdictions, including Alabama, and additional actions may be filed in the future.

A3. Legal Proceedings—Commercial and Other Matters

Average Wholesale Price Litigation
Pfizer, certain of its subsidiaries and other pharmaceutical manufacturers were sued in various state courts by a number of states alleging that the defendants provided average wholesale price (AWP) information for certain of their products that was higher than the actual average prices at which those products were sold. The AWP is used to determine reimbursement levels under Medicare Part B and Medicaid and in many private-sector insurance policies and medical plans. All but two of those actions have been resolved through settlement, dismissal or final judgment. The plaintiff states in the two remaining actions claim that the alleged spread between the AWPs at which purchasers were reimbursed and the actual sale prices was promoted by the defendants as an incentive to purchase certain of their products. In addition to suing on their own behalf, the two states seek to recover on behalf of individuals, private-sector insurance companies and medical plans in their states. These actions allege, among other things, fraud, unfair competition, unfair trade practices and the violation of consumer protection statutes, and seek monetary and other relief, including civil penalties and treble damages.

Monsanto-Related Matters
In 1997, Monsanto Company (Former Monsanto) contributed certain chemical manufacturing operations and facilities to a newly formed corporation, Solutia Inc. (Solutia), and spun off the shares of Solutia. In 2000, Former Monsanto merged with Pharmacia & Upjohn Company to form Pharmacia Corporation (Pharmacia). Pharmacia then transferred its agricultural operations to a newly created subsidiary, named Monsanto Company (New Monsanto), which it spun off in a two-stage process that was completed in 2002. Pharmacia was acquired by Pfizer in 2003 and is now a wholly owned subsidiary of Pfizer.

In connection with its spin-off that was completed in 2002, New Monsanto assumed, and agreed to indemnify Pharmacia for, any liabilities related to Pharmacia's former agricultural business. New Monsanto is defending and indemnifying Pharmacia in connection with various claims and litigation arising out of, or related to, the agricultural business.

In connection with its spin-off in 1997, Solutia assumed, and agreed to indemnify Pharmacia for, liabilities related to Former Monsanto's chemical businesses. As the result of its reorganization under Chapter 11 of the U.S. Bankruptcy Code, Solutia's indemnification obligations relating to Former Monsanto's chemical businesses are limited to sites that Solutia has owned or operated. In addition, in connection with its spinoff that was completed in 2002, New Monsanto assumed, and agreed to indemnify Pharmacia for, any liabilities primarily related to Former Monsanto's chemical businesses, including, but not limited to, any such liabilities that Solutia assumed. Solutia's and New Monsanto's assumption of, and agreement to, indemnify Pharmacia for these liabilities apply to pending actions and any future actions related to Former Monsanto's chemical businesses in which Pharmacia is named as a defendant, including, without limitation, actions asserting environmental

claims, including alleged exposure to polychlorinated biphenyls. Solutia and New Monsanto are defending and indemnifying Pharmacia in connection with various claims and litigation arising out of, or related to, Former Monsanto's chemical businesses.

Trade Secrets Action in California
In 2004, Ischemia Research and Education Foundation (IREF) and its chief executive officer brought an action in California Superior Court, Santa Clara County, against a former IREF employee and Pfizer. Plaintiffs allege that defendants conspired to misappropriate certain information from IREF's allegedly proprietary database in order to assist Pfizer in designing and executing a clinical study of a Pfizer drug. In 2008, the jury returned a verdict for compensatory damages of approximately $38.7 million. In March 2009, the court awarded prejudgment interest, but declined to award punitive damages. In July 2009, the court granted our motion for a new trial and vacated the jury verdict. In February 2013, the trial court's decision was affirmed by the California Court of Appeal, Sixth Appellate District. In May 2013, the action was remanded for further proceedings to the California Superior Court, Santa Clara County. We do not expect this litigation to have a material adverse effect on our financial position.

Environmental Matters
In 2009, we submitted to the U.S. Environmental Protection Agency (EPA) a corrective measures study report with regard to Pharmacia Corporation's discontinued industrial chemical facility in North Haven, Connecticut and a revised site-wide feasibility study with regard to Wyeth Holdings Corporation's discontinued industrial chemical facility in Bound Brook, New Jersey. In September 2010, our corrective measures study report with regard to the North Haven facility was approved by the EPA, and we commenced construction of the site remedy in late 2011 under an Updated Administrative Order on Consent with the EPA. In July 2011, Wyeth Holdings Corporation finalized an Administrative Settlement Agreement and Order on Consent for Removal Action with the EPA with regard to the Bound Brook facility. In May 2012, we completed construction of an interim remedy to address the discharge of impacted groundwater from that facility to the Raritan River. In September 2012, the EPA issued a final remediation plan for the Bound Brook facility's main plant area, which is generally in accordance with one of the remedies evaluated in our revised site-wide feasibility study. In March 2013, Wyeth Holdings Corporation entered into an Administrative Settlement Agreement and Order on Consent with the EPA to allow us to undertake detailed engineering design of the remedy for the main plant area and to perform a focused feasibility study for two adjacent lagoons. The estimated costs of the site remedy for the North Haven facility and the site remediation for the Bound Brook facility are covered by accruals previously taken by us.

We are a party to a number of other proceedings brought under the Comprehensive Environmental Response, Compensation, and Liability Act of 1980, as amended, and other state, local or foreign laws in which the primary relief sought is the cost of past and/or future remediation.

A4. Legal Proceedings—Government Investigations

Like other pharmaceutical companies, we are subject to extensive regulation by national, state and local government agencies in the U.S. and in the other countries in which we operate. As a result, we have interactions with government agencies on an ongoing basis. It is possible that criminal charges and substantial fines and/or civil penalties could result from government investigations. Among the investigations by government agencies is the matter discussed below.

In 2009, the U.S. Department of Justice (DOJ) filed a civil complaint in intervention in two qui tam actions that had been filed under seal in the U.S. District Court for the District of Massachusetts. The complaint alleges that Wyeth's practices relating to the pricing for Protonix for Medicaid rebate purposes between 2001 and 2006, prior to Wyeth's acquisition by Pfizer, violated the Federal Civil False Claims Act and federal common law. The two qui tam actions have been unsealed and the complaints include substantially similar allegations. In addition, in 2009, several states and the District of Columbia filed a complaint under the same docket number asserting violations of various state laws based on allegations substantially similar to those set forth in the civil complaint filed by the DOJ.

A5. Legal Proceedings—Certain Matters Resolved During 2014

As previously reported, during 2014, certain matters, including the matters discussed below, were resolved or were the subject of definitive settlement agreements or settlement agreements-in-principle.

Neurontin Antitrust Actions
In January 2011, in a Multi-District Litigation (In re Neurontin Antitrust Litigation MDL-1479) that consolidated four actions, the U.S. District Court for the District of New Jersey certified a nationwide class consisting of wholesalers and other entities who purchased Neurontin directly from Pfizer and Warner-Lambert during the period from December 11, 2002 to August 31, 2008 or who purchased generic gabapentin after it became available. The complaints alleged that Pfizer and Warner-Lambert engaged in anticompetitive conduct in violation of the Sherman Act. In April 2014, the parties entered into an agreement to settle this action for $190 million. In addition, in July 2014, Pfizer, Warner-Lambert and certain direct purchasers who opted out of the certified class entered into an agreement-in-principle to settle two actions pending in the District Court of New Jersey, that assert allegations substantially similar to those in the class, on terms not material to Pfizer.

Lyrica (pregabalin)
Beginning in March 2009, several generic drug manufacturers notified us that they had filed abbreviated new drug applications with the FDA seeking approval to market generic versions of Lyrica capsules and, in the case of one generic drug manufacturer, Lyrica oral solution. Each of the generic drug manufacturers challenged one or more of three patents for Lyrica: the basic patent, which expires in 2018, and two other patents, one of which expired in October 2013 and the other of which expires in 2018. Each of the generic drug manufacturers asserted the invalidity and/or the non-infringement of the patents subject to challenge. Beginning in April 2009, we filed actions against these generic drug manufacturers in the U.S. District Court for the District of Delaware, asserting the infringement and validity of our patents for Lyrica, and all of these cases were consolidated in the District of Delaware. In July 2012, the court held that all three patents were valid and infringed. In August 2012, the generic drug manufacturers appealed the decision to the U.S. Court of Appeals for the Federal Circuit. In February 2014, the Federal Circuit affirmed the decision of the District Court with respect to the validity and enforcement of one claim of the basic patent and determined, on the ground of mootness, that it did not have to render a decision on any other issues raised on appeal, including with respect to the other patent that expires in 2018. The generic drug manufacturers' time to file a petition for certiorari requesting a review by the U.S. Supreme Court expired in May 2014. As a result, the generic drug manufacturers cannot obtain FDA approval for their generic versions of Lyrica or market those products in the U.S. prior to the expiration of the basic patent in 2018.

In November 2010 and December 2012, Novel Laboratories, Inc. (Novel) and Wockhardt Limited (Wockhardt), respectively, notified us that they had each filed abbreviated new drug applications with the FDA seeking approval to market generic versions of Lyrica oral solution. Novel asserted the invalidity and/or non-infringement of our three patents for Lyrica referred to in the paragraph above. Wockhardt asserted the invalidity and non-infringement of the basic patent. In October 2011, Alembic Pharmaceuticals Limited (Alembic) notified us that it had filed an abbreviated new drug application with the FDA seeking approval to market a generic version of Lyrica capsules and asserting the invalidity of the basic patent. In December 2011, January 2011 and January 2013, we filed actions against each of Alembic, Novel and Wockhardt, respectively, in the U.S. District Court for the District of Delaware, asserting the validity and infringement of our patents. Each of Novel, Alembic and Wockhardt agreed to a stay of the respective actions described above and to be bound by any final judgment of infringement and validity of the patents at issue in the consolidated action discussed in the paragraph above. In late May and early June 2014, the District Court entered consent judgments against Novel, Alembic and Wockhardt, and, as a result, these generic drug manufacturers cannot obtain FDA approval for their generic versions of Lyrica or market their products in the U.S. prior to the expiration of the basic patent in December 2018.

Bapineuzumab
In June 2010, a purported class action was filed in the U.S. District Court for the District of New Jersey against Pfizer, as successor to Wyeth, and several former officers of Wyeth. The complaint alleged that Wyeth and the individual defendants violated federal securities laws by making or causing Wyeth to make false and misleading statements, and by failing to disclose or causing Wyeth to fail to disclose material information, concerning the results of a clinical trial involving bapineuzumab, a product in development for the treatment of Alzheimer's disease. The plaintiff sought to represent a class consisting of all persons who purchased Wyeth securities from May 21, 2007 through July 2008 and sought damages in an unspecified amount on behalf of the putative class. In February 2012, the court granted the defendants' motion to dismiss the complaint. In December 2012, the court granted the plaintiff's motion to file an amended complaint. In April 2013, the court granted the defendants' motion to dismiss the amended complaint. In May 2013, the plaintiff appealed the District Court's decision to the U.S. Court of Appeals for the Third Circuit. In June 2014, the U.S. Court of Appeals for the Third Circuit affirmed the District Court's decision to dismiss the complaint. The plaintiff's time to file a petition for certiorari requesting a review by the U.S. Supreme Court expired in September 2014.

B. Guarantees and Indemnifications

In the ordinary course of business and in connection with the sale of assets and businesses, we often indemnify our counterparties against certain liabilities that may arise in connection with the transaction or related to activities prior to the transaction. These indemnifications typically pertain to environmental, tax, employee and/or product-related matters and patent-infringement claims. If the indemnified party were to make a successful claim pursuant to the terms of the indemnification, we would be required to reimburse the loss. These indemnifications are generally subject to threshold amounts, specified claim periods and other restrictions and limitations. Historically, we have not paid significant amounts under these provisions and, as of December 31, 2014, recorded amounts for the estimated fair value of these indemnifications were not significant.

Pfizer Inc. has also guaranteed the long-term debt of certain companies that it acquired and that now are subsidiaries of Pfizer.

C. Purchase Commitments

As of December 31, 2014, we had agreements totaling $4.1 billion to purchase goods and services that are enforceable and legally binding and include amounts relating to advertising, information technology services, employee benefit administration services, and potential milestone payments deemed reasonably likely to occur.

Note 18. Segment, Geographic and Other Revenue Information

A. Segment Information

We manage our commercial operations through a global commercial structure consisting of two distinct businesses: an Innovative Products business and an Established Products business. The Innovative Products business is composed of two operating segments, each of which is led by a single manager—the Global Innovative Pharmaceutical segment (GIP) and the Global Vaccines, Oncology and Consumer Healthcare segment (VOC). The Established Products business consists of the Global Established Pharmaceutical segment (GEP), which is led by a single manager. Each operating segment has responsibility for its commercial activities and for certain in-process research and development (IPR&D) projects for new investigational products and additional indications for in-line products that generally have achieved proof of concept.

Each business has a geographic footprint across developed and emerging markets. We have restated prior-period information (Revenues and Earnings, as defined by management, and Depreciation and Amortization) to conform to the current management structure. As our operations were not managed under the new structure until the beginning of fiscal 2014, certain costs and expenses could not be directly attributed to one of the new operating segments. As a result, our operating segment results for 2013 include allocations. The amounts subject to allocation methods in 2013 were approximately $2.1 billion of selling, informational and administrative expenses and approximately $800 million of research and development expenses. The amounts subject to allocation methods in 2012 were approximately $2.3 billion of selling, informational and administrative expenses and approximately $990 million of research and development expenses:

- The selling, informational and administrative expenses were allocated using proportional allocation methods based on associated selling costs, revenues or product-specific costs, as applicable.
- The research and development expenses were allocated based on product-specific R&D costs or revenue metrics, as applicable.

Management believes that the allocations are reasonable.

We regularly review our segments and the approach used by management to evaluate performance and allocate resources.

Operating Segments

Some additional information about each segment follows:

- Global Innovative Pharmaceutical segment—GIP is focused on developing, registering and commercializing novel, value-creating medicines that significantly improve patients' lives. These therapeutic areas include inflammation, cardiovascular/metabolic, neuroscience and pain, rare diseases and women's/men's health and include leading brands, such as Xeljanz, Eliquis and Lyrica (U.S., Japan). GIP has a pipeline of medicines in inflammation, cardiovascular/metabolic disease, neuroscience and pain, and rare diseases.
- Global Vaccines, Oncology and Consumer Healthcare segment—VOC focuses on the development and commercialization of vaccines and products for oncology and consumer healthcare. Consumer Healthcare manufactures and markets several well known, OTC products. Each of the three businesses in VOC operates as a separate, global business with distinct specialization in terms of the science and market approach necessary to deliver value to consumers and patients.
- Global Established Pharmaceutical segment—GEP includes the brands that have lost market exclusivity and, generally, the mature, patent-protected products that are expected to lose exclusivity through 2015 in most major markets and, to a much smaller extent, generic pharmaceuticals. Additionally, GEP includes our sterile injectable products and biosimilar development portfolio.

Our chief operating decision maker uses the revenues and earnings of the three operating segments, among other factors, for performance evaluation and resource allocation.

Other Costs and Business Activities

Certain costs are not allocated to our operating segment results, such as costs associated with the following:

- Worldwide Research and Development (WRD), which is generally responsible for research projects until proof-of-concept is achieved and then for transitioning those projects to the appropriate operating segment for possible clinical and commercial development. R&D spending may include upfront and milestone payments for intellectual property rights. This organization also has responsibility for certain science-based and other platform-services organizations, which provide technical expertise and other services to the various R&D projects. WRD is also responsible for facilitating all regulatory submissions and interactions with regulatory agencies, including all safety-event activities.
- Pfizer Medical, which is responsible for the provision of medical information to healthcare providers, patients and other parties, transparency and disclosure activities, clinical trial results publication, grants for healthcare quality improvement and medical education, partnerships with global public health and medical associations, regulatory inspection readiness reviews, internal audits of Pfizer-sponsored clinical trials and internal regulatory compliance processes.
- Corporate, representing platform functions (such as worldwide technology, global real estate operations, legal, finance, human resources, worldwide public affairs, compliance and worldwide procurement) and certain compensation and other corporate costs, such as interest income and expense, and gains and losses on investments.
- Other unallocated costs, representing overhead expenses associated with our manufacturing and commercial operations not directly attributable to an operating segment.
- Certain transactions and events such as (i) purchase accounting adjustments, where we incur expenses associated with the amortization of fair value adjustments to inventory, intangible assets and property, plant and equipment; (ii) acquisition-related costs, where we incur costs for executing the transaction, integrating the acquired operations and restructuring the combined company; and (iii) certain significant items, which include non-acquisition-related restructuring costs, as well as costs incurred for legal settlements, asset impairments and disposals of assets or businesses, including, as applicable, any associated transition activities.

Segment Assets

We manage our assets on a total company basis, not by operating segment, as many of our operating assets are shared (such as our plant network assets) or commingled (such as accounts receivable, as many of our customers are served by multiple operating segments). Therefore, our chief operating decision maker does not regularly review any asset information by operating segment and, accordingly, we do not report asset information by operating segment. Total assets were approximately $169 billion as of December 31, 2014 and approximately $172 billion as of December 31, 2013.

Selected Income Statement Information

The following table provides selected income statement information by reportable segment:

	Revenues			Earnings[a]			Depreciation and Amortization[b]		
	Year Ended December 31,			Year Ended December 31,			Year Ended December 31,		
(MILLIONS OF DOLLARS)	**2014**	2013	2012	**2014**	2013	2012	**2014**	2013	2012
Reportable Segments:									
Global Innovative Pharmaceutical (GIP)	**$ 13,861**	$ 14,317	$ 13,756	**$ 7,780**	$ 8,549	$ 8,325	**$ 255**	$ 238	$ 250
Global Vaccines, Oncology and Consumer Healthcare (VOC)	**10,144**	9,285	8,991	**4,692**	4,216	3,597	**263**	231	270
Global Established Pharmaceutical (GEP)	**25,149**	27,619	31,678	**16,199**	17,552	19,910	**475**	478	595
Total reportable segments	**49,154**	51,221	54,426	**28,671**	30,318	31,832	**993**	947	1,115
Other business activities[c]	**253**	232	231	**(3,092)**	(2,828)	(2,888)	**91**	105	117
Reconciling Items:									
Corporate[d]	**—**	—	—	**(5,200)**	(5,689)	(6,059)	**384**	432	546
Purchase accounting adjustments[d]	**—**	—	—	**(3,641)**	(4,344)	(4,905)	**3,782**	4,487	4,988
Acquisition-related costs[d]	**—**	—	—	**(183)**	(376)	(946)	**53**	124	273
Certain significant items[e]	**198**	132	—	**(3,749)**	(692)	(5,039)	**207**	167	300
Other unallocated	**—**	—	—	**(567)**	(671)	(751)	**27**	44	55
	$ 49,605	$ 51,584	$ 54,657	**$ 12,240**	$15,716	$11,242	**$ 5,537**	$ 6,306	$ 7,394

[a] Income from continuing operations before provision for taxes on income.

[b] Certain production facilities are shared. Depreciation is allocated based on estimates of physical production. Amounts here relate solely to the depreciation and amortization associated with continuing operations.

[c] Other business activities includes the revenues and operating results of Pfizer CentreSource, our contract manufacturing and bulk pharmaceutical chemical sales operation, and the costs managed by our Worldwide Research and Development organization and our Pfizer Medical organization.

[d] For a description, see the "Other Costs and Business Activities" section above.

[e] Certain significant items are substantive, unusual items that, either as a result of their nature or size, would not be expected to occur as part of our normal business on a regular basis.

For Revenues in 2014, certain significant items primarily represent revenues related to our transitional manufacturing and supply agreements with Zoetis. For additional information, see *Note 2D.*

For Earnings in 2014, certain significant items includes: (i) income related to our transitional manufacturing and supply agreements with Zoetis of $32 million, (ii) charges for certain legal matters of $999 million, (iii) certain asset impairments of $440 million, (iv) a charge for an additional year of Branded Prescription Drug Fee of $215 million, (v) restructuring charges and implementation costs associated with our cost-reduction initiatives that are not associated with an acquisition of $598 million, (vi) upfront fee associated with collaborative arrangement with Merck KGaA of $1.2 billion, (vii) charges for business and legal entity alignment of $168 million and (viii) other charges of $197 million. For additional information, see *Note 2C, Note 3* and *Note 4.*

For Revenues in 2013, certain significant items represent revenues related to our transitional manufacturing and supply agreements with Zoetis. For additional information, see *Note 2D*.

For Earnings in 2013, certain significant items includes: (i) income related to our transitional manufacturing and supply agreements with Zoetis of $16 million, (ii) patent litigation settlement income of $1.3 billion, (iii) restructuring charges and implementation costs associated with our cost-reduction initiatives that are not associated with an acquisition of $1.3 billion, (iv) net charges for certain legal matters of $21 million, (v) certain asset impairments of $836 million, (vi) the gain associated with the transfer of certain product rights to Hisun Pfizer of $459 million, (vii) costs associated with the separation of Zoetis of $18 million and (viii) other charges of $306 million. For additional information, see *Note 3* and *Note 4.*

For Earnings in 2012, certain significant items includes: (i) net charges for certain legal matters of $2.2 billion, (ii) restructuring charges and implementation costs associated with our cost-reduction initiatives that are not associated with an acquisition of $1.8 billion, (iii) certain asset impairment charges of $875 million, (iv) costs associated with the separation of Zoetis of $125 million and (v) other charges of $19 million. For additional information, see *Note 3* and *Note 4.*

Equity in the net income of investees accounted for by the equity method is not significant for any of our operating segments.

B. Geographic Information

Revenues exceeded $500 million in each of 13, 12 and 14 countries outside the U.S. in 2014, 2013 and 2012, respectively. The U.S. is the only country to contribute more than 10% of total revenue in 2014. The U.S. and Japan were the only countries to contribute more than 10% of total revenue in 2013 and 2012.

The following table provides revenues by geographic area:

	Year Ended December 31,		
(MILLIONS OF DOLLARS)	**2014**	2013	2012
United States	**$ 19,073**	$ 20,274	$ 21,313
Developed Europe[a]	**11,719**	11,739	12,545
Developed Rest of World[b]	**7,314**	8,346	9,956
Emerging Markets[c]	**11,499**	11,225	10,843
Revenues	**$ 49,605**	$ 51,584	$ 54,657

[a] Developed Europe region includes the following markets: Western Europe, Finland and the Scandinavian countries. Revenues denominated in euros were $9.0 billion in 2014, $8.9 billion in 2013 and $9.4 billion in 2012.

[b] Developed Rest of World region includes the following markets: Australia, Canada, Japan, New Zealand and South Korea.

[c] Emerging Markets region includes, but is not limited to, the following markets: Asia (excluding Japan and South Korea), Latin America, the Middle East, Eastern Europe, Africa, Turkey and Central Europe.

Long-lived assets by geographic region follow:

	As of December 31,		
(MILLIONS OF DOLLARS)	**2014**	2013	2012
Property, plant and equipment, net			
United States	**$ 5,575**	$ 5,885	$ 6,485
Developed Europe[a]	**4,606**	4,845	4,895
Developed Rest of World[b]	**617**	696	816
Emerging Markets[c]	**963**	971	1,017
Property, plant and equipment, net	**$ 11,762**	$ 12,397	$ 13,213

[a] Developed Europe region includes the following markets: Western Europe, Finland and the Scandinavian countries.

[b] Developed Rest of World region includes the following markets: Australia, Canada, Japan, New Zealand, and South Korea.

[c] Emerging Markets region includes, but is not limited to, the following markets: Asia (excluding Japan and South Korea), Latin America, the Middle East, Eastern Europe, Africa, Turkey and Central Europe.

C. Other Revenue Information

Significant Customers

We sell our biopharmaceutical products primarily to customers in the wholesale sector. In 2014, sales to our three largest U.S. wholesaler customers represented approximately 13%, 10% and 9% of total revenues, respectively, and, collectively, represented approximately 24% of total accounts receivable as of December 31, 2014. In 2013, sales to our three largest U.S. wholesaler customers represented approximately 12%, 9% and 8% of total revenues, respectively, and, collectively, represented approximately 20% of total accounts receivable as of December 31, 2013. For both years, these sales and related accounts receivable were concentrated in our biopharmaceutical businesses.

Significant Product Revenues

The following table provides detailed revenue information:

(MILLIONS OF DOLLARS)	Business[a]	Year Ended December 31, 2014	2013	2012
Biopharmaceutical revenues:				
Lyrica[b]	GEP/GIP	**$ 5,168**	$ 4,595	$ 4,158
Prevnar family	V	**4,464**	3,974	4,117
Enbrel (Outside the U.S. and Canada)	GIP	**3,850**	3,774	3,737
Celebrex	GEP	**2,699**	2,918	2,719
Lipitor	GEP	**2,061**	2,315	3,948
Viagra[c]	GEP/GIP	**1,685**	1,881	2,051
Zyvox	GEP	**1,352**	1,353	1,345
Sutent	O	**1,174**	1,204	1,236
Norvasc	GEP	**1,112**	1,229	1,349
Premarin family	GEP	**1,076**	1,092	1,073
BeneFIX	GIP	**856**	832	775
Vfend	GEP	**756**	775	754
Pristiq	GEP	**737**	698	630
Genotropin	GIP	**723**	772	832
Chantix/Champix	GIP	**647**	648	670
Refacto AF/Xyntha	GIP	**631**	602	584
Xalatan/Xalacom	GEP	**495**	589	806
Medrol	GEP	**443**	464	523
Xalkori	O	**438**	282	123
Zoloft	GEP	**423**	469	541
Inlyta	O	**410**	319	100
Relpax	GEP	**382**	359	368
Fragmin	GEP	**364**	359	381
Sulperazon	GEP	**354**	309	262
Effexor	GEP	**344**	440	425
Rapamune	GIP	**339**	350	346
Tygacil	GEP	**323**	358	335
Zithromax/Zmax	GEP	**314**	387	435
Xeljanz	GIP	**308**	114	6
Zosyn/Tazocin	GEP	**303**	395	484
EpiPen	GEP	**294**	273	263
Toviaz	GIP	**288**	236	207
Revatio	GEP	**276**	307	534
Cardura	GEP	**263**	296	338
Xanax/Xanax XR	GEP	**253**	276	274
Inspra	GEP	**233**	233	214
Somavert	GIP	**229**	217	197
BMP2	GIP	**228**	209	263
Diflucan	GEP	**220**	242	259
Neurontin	GEP	**210**	216	235
Unasyn	GEP	**207**	212	228
Detrol/Detrol LA	GEP	**201**	562	761
Depo-Provera	GEP	**201**	191	148
Protonix/Pantoprazole	GEP	**198**	185	188
Dalacin/Cleocin	GEP	**184**	199	232
Caduet	GEP	**180**	223	258
Alliance revenues[d]	GEP/GIP	**957**	2,628	3,492
All other GIP	GIP	**469**	540	332
All other GEP	GEP	**6,175**	6,614	7,442

All other V/O	V/O	**211**	164	236
Total biopharmaceutical revenues	GEP/GIP/V/O	**45,708**	47,878	51,214
Other revenues:				
Consumer Healthcare	C	**3,446**	3,342	3,212
Other[e]		**451**	364	231
Revenues		**$ 49,605**	$ 51,584	$ 54,657

[a] Indicates the business to which the revenues relate. GIP = the Global Innovative Pharmaceutical segment; V= the Global Vaccines business; O= the Global Oncology business; C = the global Consumer Healthcare business; and GEP = the Global Established Pharmaceutical segment.
[b] Lyrica revenues from all of Europe are included in GEP. All other Lyrica revenues are included in GIP.
[c] Viagra revenues from the U.S. and Canada are included in GIP. All other Viagra revenues are included in GEP.
[d] Includes Enbrel (GIP, in the U.S. and Canada through October 31, 2013), Spiriva (GEP), Rebif (GIP), Aricept (GEP) and Eliquis (GIP).

(e) Other primarily includes revenues generated from Pfizer CentreSource, our contract manufacturing and bulk pharmaceutical chemical sales organization, and also includes the revenues related to our transitional manufacturing and supply agreements with Zoetis.

Note 19. Subsequent Events

A. Agreement to Acquire Hospira, Inc. (Hospira)

On February 5, 2015, we announced that we have entered into a definitive merger agreement under which we agreed to acquire Hospira, the world's leading provider of injectable drugs and infusion technologies and a global leader in biosimilars, for $90 per share in cash, for a total enterprise value of approximately $17 billion. We expect to finance the transaction through a combination of existing cash and new debt, with approximately two-thirds of the value financed from cash and one-third from debt. The transaction is subject to customary closing conditions, including regulatory approvals in several jurisdictions and the approval of Hospira's shareholders, and is expected to close in the second half of 2015.

B. Acquisition of Marketed Vaccines Business of Baxter International Inc. (Baxter)

On December 1, 2014 (which falls in the first fiscal quarter of 2015 for our international operations), we completed the acquisition of Baxter's portfolio of marketed vaccines for $635 million. The portfolio that was acquired consists of NeisVac-C and FSME-IMMUN/TicoVac. NeisVac-C is a vaccine that helps protect against meningitis caused by group C meningococcal meningitis and FSME-IMMUN/TicoVac is a vaccine that helps protect against tick-borne encephalitis. We also acquired a portion of Baxter's facility in Orth, Austria, where these vaccines are manufactured. The allocation of the consideration transferred to the assets acquired and the liabilities assumed has not yet been completed.

C. Collaboration with OPKO Health, Inc. (OPKO)

On December 13, 2014, we entered into a collaborative agreement with OPKO to develop and commercialize OPKO's long-acting human growth hormone (hGH-CTP) for the treatment of growth hormone deficiency (GHD) in adults and children, as well as for the treatment of growth failure in children born small for gestational age (SGA) who fail to show catch-up growth by two years of age. hGH-CTP has the potential to reduce the required dosing frequency of human growth hormone to a single weekly injection from the current standard of one injection per day. The transaction closed on January 28, 2015, upon termination of the Hart-Scott-Rodino waiting period. In February 2015, we made an upfront payment of $295 million to OPKO and OPKO is eligible to receive up to an additional $275 million upon the achievement of certain regulatory milestones. We have received the exclusive license to commercialize hGH-CTP worldwide. In addition, OPKO is eligible to receive initial tiered royalty payments associated with the commercialization of hGH-CTP for Adult GHD, which is subject to regulatory approval. Upon the launch of hGH-CTP for Pediatric GHD, which is subject to regulatory approval, the royalties will transition to tiered gross profit sharing for both hGH-CTP and our product, Genotropin. OPKO will lead the clinical activities and will be responsible for funding the development programs for the key indications, which includes Adult and Pediatric GHD and Pediatric SGA. We will be responsible for all development costs for additional indications as well as all post-marketing studies. In addition, we will fund the commercialization activities for all indications and lead the manufacturing activities covered by the global development plan.

D. Accelerated Share Repurchase Agreement

On February 9, 2015, we entered into an accelerated share repurchase agreement with Goldman, Sachs & Co. (GS&Co.) to repurchase $5 billion of our common stock. Approximately 150 million of the shares to be repurchased under the transaction were received by us on February 11, 2015. At settlement of the agreement, which is expected to occur during or prior to the third quarter of 2015, GS&Co. may be required to deliver additional shares of common stock to us, or, under certain circumstances, we may be required to deliver shares of our common stock or may elect to make a cash payment to GS&Co., with the number of shares to be delivered or the amount of such payment based on the difference between the volume-weighted average price, less a discount, of our common stock during the term of the transaction and the initial $5 billion paid. This agreement was entered into pursuant to our previously announced share repurchase authorization.

Quarterly Consolidated Financial Data (Unaudited)

Pfizer Inc. and Subsidiary Companies

(MILLIONS OF DOLLARS, EXCEPT PER COMMON SHARE DATA)	Quarter			
	First	Second	Third	Fourth
2014				
Revenues	$ 11,353	$ 12,773	$ 12,361	$ 13,118
Costs and expenses[a]	8,448	8,689	8,793	11,185
Restructuring charges and certain acquisition-related costs[b]	58	81	(19)	130
Income from continuing operations before provision for taxes on income	2,847	4,003	3,587	1,803
Provision for taxes on income	582	1,082	911	545
Income from continuing operations	2,265	2,921	2,676	1,257
Discontinued operations—net of tax	73	—	(3)	(21)
Net income before allocation to noncontrolling interests	2,338	2,921	2,672	1,236
Less: Net income attributable to noncontrolling interests	9	9	6	8
Net income attributable to Pfizer Inc.	$ 2,329	$ 2,912	$ 2,666	$ 1,228
Earnings per common share—basic:				
Income from continuing operations attributable to Pfizer Inc. common shareholders	$ 0.35	$ 0.46	$ 0.42	$ 0.20
Discontinued operations—net of tax	0.01	—	—	—
Net income attributable to Pfizer Inc. common shareholders	$ 0.36	$ 0.46	$ 0.42	$ 0.20
Earnings per common share—diluted:				
Income from continuing operations attributable to Pfizer Inc. common shareholders	$ 0.35	$ 0.45	$ 0.42	$ 0.20
Discontinued operations—net of tax	0.01	—	—	—
Net income attributable to Pfizer Inc. common shareholders	$ 0.36	$ 0.45	$ 0.42	$ 0.19
Cash dividends paid per common share	$ 0.26	$ 0.26	$ 0.26	$ 0.26
Stock prices				
High	$ 32.96	$ 32.69	$ 31.31	$ 33.12
Low	$ 29.66	$ 28.77	$ 27.87	$ 27.51

[a] The fourth quarter of 2014 reflects historically higher fourth quarter costs in *Cost of sales, Selling, informational and administrative expenses* and *Research and development expenses.*

[b] The fourth quarter of 2014 reflects higher employee termination costs.

Basic and diluted EPS are computed independently for each of the periods presented. Accordingly, the sum of the quarterly EPS amounts may not agree to the total for the year.

As of January 30, 2015, there were 186,315 holders of record of our common stock (New York Stock Exchange symbol PFE).

Quarterly Consolidated Financial Data (Unaudited)

Pfizer Inc. and Subsidiary Companies

(MILLIONS OF DOLLARS, EXCEPT PER COMMON SHARE DATA)	Quarter			
	First	Second	Third	Fourth
2013				
Revenues	$ 12,410	$ 12,973	$ 12,643	$ 13,558
Costs and expenses[a]	8,554	7,433	8,837	9,862
Restructuring charges and certain acquisition-related costs[b]	131	183	233	635
Income from continuing operations before provision/(benefit) for taxes on income	3,725	5,357	3,573	3,061
Provision/(benefit) for taxes on income	1,109	1,782	985	430
Income from continuing operations	2,616	3,575	2,588	2,631
Discontinued operations—net of tax[c]	149	10,559	11	(57)
Net income before allocation to noncontrolling interests	2,765	14,134	2,599	2,574
Less: Net income attributable to noncontrolling interests	15	39	9	6
Net income attributable to Pfizer Inc.	$ 2,750	$ 14,095	$ 2,590	$ 2,568
Earnings per common share—basic:				
Income from continuing operations attributable to Pfizer Inc. common shareholders	$ 0.36	$ 0.51	$ 0.39	$ 0.41
Discontinued operations—net of tax	0.02	1.50	—	(0.01)
Net income attributable to Pfizer Inc. common shareholders	$ 0.38	$ 2.00	$ 0.39	$ 0.40
Earnings per common share—diluted:				
Income from continuing operations attributable to Pfizer Inc. common shareholders	$ 0.36	$ 0.50	$ 0.39	$ 0.40
Discontinued operations—net of tax	0.02	1.48	—	(0.01)
Net income attributable to Pfizer Inc. common shareholders	$ 0.38	$ 1.98	$ 0.39	$ 0.39
Cash dividends paid per common share	$ 0.24	$ 0.24	$ 0.24	$ 0.24
Stock prices				
High	$ 28.90	$ 31.15	$ 30.43	$ 32.50
Low	$ 25.33	$ 27.12	$ 27.33	$ 28.02

[a] The fourth quarter of 2013 reflects historically higher fourth quarter costs in *Cost of sales, Selling, informational and administrative expenses* and *Research and development expenses*.

[b] The fourth quarter of 2013 reflects higher employee termination costs.

[c] The second quarter of 2013 reflects the gain on the disposal of our Animal Health business (Zoetis).

Basic and diluted EPS are computed independently for each of the periods presented. Accordingly, the sum of the quarterly EPS amounts may not agree to the total for the year.

Financial Summary
Pfizer Inc. and Subsidiary Companies

	Year Ended/As of December 31,[a]				
(MILLIONS, EXCEPT PER COMMON SHARE DATA)	**2014**	2013	2012	2011	2010
Revenues[b]	**$ 49,605**	$ 51,584	$ 54,657	$ 61,035	$ 61,591
Income from continuing operations[b]	**9,119**	11,410	9,021	7,860	7,951
Total assets	**169,274**	172,101	185,798	188,002	195,014
Long-term obligations[b], [c]	**76,021**	72,115	74,934	75,914	76,789
Earnings per common share—basic					
Income from continuing operations attributable to Pfizer Inc. common shareholders	**$ 1.43**	$ 1.67	$ 1.21	$ 1.00	$ 0.99
Discontinued operations—net of tax[d]	**0.01**	1.56	0.75	0.28	0.04
Net income attributable to Pfizer Inc. common shareholders	**$ 1.44**	$ 3.23	$ 1.96	$ 1.28	$ 1.03
Earnings per common share—diluted					
Income from continuing operations attributable to Pfizer Inc. common shareholders	**$ 1.41**	$ 1.65	$ 1.20	$ 0.99	$ 0.98
Discontinued operations—net of tax[d]	**0.01**	1.54	0.74	0.28	0.04
Net income attributable to Pfizer Inc. common shareholders	**$ 1.42**	$ 3.19	$ 1.94	$ 1.27	$ 1.02
Cash dividends paid per common share	**$ 1.04**	$ 0.96	$ 0.88	$ 0.80	$ 0.72

[a] Reflects the acquisition of King on January 31, 2011.

[b] All amounts reflect the June 24, 2013 disposition of Zoetis and its presentation as a discontinued operation in all periods prior to 2014 presented.

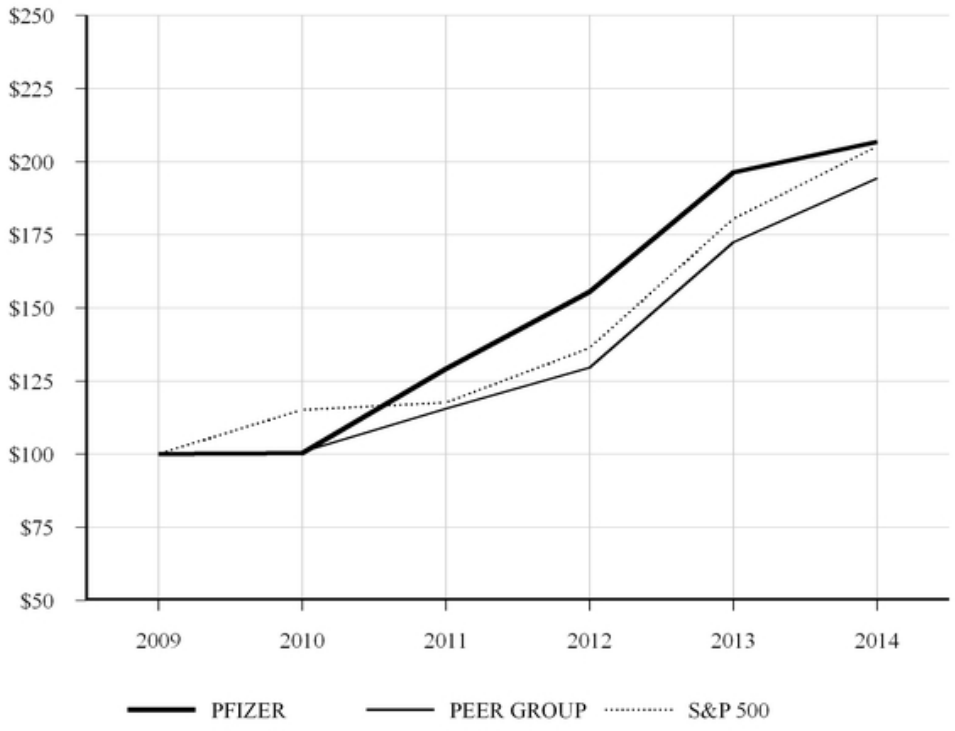
[c] Defined as *Long-term debt*, *Pension benefit obligations, net*, *Postretirement benefit obligations, net*, *Noncurrent deferred tax liabilities*, *Other taxes payable* and *Other noncurrent liabilities*.

[d] Includes (i) the Animal Health (Zoetis) business through June 24, 2013, the date of disposal, (ii) the Nutrition business through November 30, 2012, the date of disposal and (iii) the Capsugel business through August 1, 2011, the date of disposal.

Peer Group Performance Graph

Pfizer Inc. and Subsidiary Companies

The following graph assumes a $100 investment on December 31, 2009, and reinvestment of all dividends, in each of the Company's Common Shares, the S&P 500 Index, and a composite peer group of the major U.S.- and European-based pharmaceutical companies, which are: Abbott Laboratories (for the period 2009-2012 only), AbbVie Inc. (for 2013 and 2014 only), Amgen, Inc., AstraZeneca plc, Bristol-Myers Squibb Company, Eli Lilly & Co., GlaxoSmithKline plc, Johnson & Johnson, Merck and Co., Inc., Novartis AG, Roche Holding AG and Sanofi SA.



Five Year Performance

	2009	2010	2011	2012	2013	2014
PFIZER	$100.0	$100.3	$129.2	155.5	$196.3	**$206.7**
PEER GROUP	$100.0	$100.7	$115.5	129.6	$172.4	**$194.3**
S&P 500	$100.0	$115.1	$117.5	136.3	$180.4	**$205.1**

Exhibit 21

SUBSIDIARIES OF THE COMPANY

The following is a list of subsidiaries of the Company as of December 31, 2014, omitting some subsidiaries which, considered in the aggregate, would not constitute a significant subsidiary.

Company	Where Incorporated or Organized
A S Ruffel (Mozambique) Limitada	Mozambique
A. H. Robins (Philippines) Company, Inc.	Philippines
Agouron Pharmaceuticals, Inc.	California
AH Robins LLC	Delaware
AHP Holdings B.V.	Netherlands
AHP Manufacturing B.V.	Netherlands
Alacer Corp.	California
Alpharma Holdings Inc.	Delaware
Alpharma Pharmaceuticals LLC	Delaware
Alpharma Specialty Pharma Inc.	Delaware
Alpharma USHP Inc.	Delaware
American Food Industries LLC	Delaware
Ayerst-Wyeth Pharmaceuticals LLC	Delaware
BINESA 2002, S.L.	Spain
Bioren, Inc.	Delaware
BioRexis Pharmaceutical Corporation	Delaware
Blue Umbrella Services, S. de R.L. de C.V.	Mexico
BlueVax GmbH	Switzerland
Blue Whale Re Ltd.	Vermont
C.E. Commercial Holdings C.V.	Netherlands
C.E. Commercial Investments C.V.	Netherlands
C.E. Holdings Europe C.V.	Netherlands
C.P. Pharma Gyógyszerkereskedelmi Korlátolt Felelősségû Társaság	Hungary
C.P. Pharma Services Corporation, S. de R.L. de C.V.	Mexico
C.P. Pharmaceuticals International C.V.	Netherlands
Carlerba - Produtos Químicos e Farmacêuticos, Lda.	Portugal
CICL Corporation	Delaware
COC I Corporation	Delaware
Coley Pharmaceutical GmbH	Germany
Coley Pharmaceutical Group, Inc.	Delaware
Continental Pharma, Inc.	Belgium
CovX Research LLC	Delaware
Covx Technologies Ireland Limited	Ireland
Cyanamid de Argentina S.A.	Delaware
Cyanamid de Colombia, S.A.	Delaware
Cyanamid Inter-American Corporation	Delaware
Distribuidora Mercantil Centro Americana, S.A.	Delaware
Encysive Pharmaceuticals Inc.	Delaware
Esperion LUV Development, Inc.	Delaware

Excaliard Pharmaceuticals, Inc.	Delaware
Farminova Produtos Farmaceuticos de Inovacao, Lda.	Portugal
Farmitalia Carlo Erba Limited	United Kingdom
Farmogene Productos Farmaceuticos Lda	Portugal
Ferrosan A/S	Denmark
Ferrosan Holding A/S	Denmark
Ferrosan International A/S	Denmark
Ferrosan S.R.L.	Romania
FoldRx Pharmaceuticals, Inc.	Delaware
Fort Dodge (Hong Kong) Limited	Hong Kong
Fort Dodge Manufatura Ltda.	Brazil
FPZ AG	Germany
FPZ Deutschland den Rücken Stärken GmbH	Germany
Furina Limited	Ireland
G. D. Searle & Co. Limited	United Kingdom
G. D. Searle International Capital LLC	Delaware
G. D. Searle LLC	Delaware
Genetics Institute, LLC	Delaware
GenTrac, Inc.	Wisconsin
GI Europe, Inc.	Delaware
GI Japan, Inc.	Delaware
Greenstone LLC	Delaware
Haptogen Limited	United Kingdom
Icagen, Inc.	Delaware
Industrial Santa Agape, S.A.	Guatemala
InnoPharma Licensing, LLC	Delaware
InnoPharma, Inc.	Delaware
Instituto Pasteur de Lisboa Virginio Leitao Vieira dos Santos & Filhos S.A.	Portugal
International Affiliated Corporation LLC	Delaware
Invicta Farma, S.A.	Spain
IP Pharmaceuticals India Private Limited	India
JMI-Daniels Pharmaceuticals, Inc.	Florida
John Wyeth & Brother Limited	United Kingdom
Kiinteistö oy Espoon Pellavaniementie 14	Finland
King Pharmaceuticals Holdings LLC	Delaware
King Pharmaceuticals LLC	Delaware
King Pharmaceuticals Research and Development, Inc.	Delaware
Kommanditbolaget Hus Gron	Sweden
Korea Pharma Holding Company Limited	Hong Kong
Laboratoires Pfizer, S.A.	Morocco
Laboratorios Parke Davis, S.L.	Spain
Laboratorios Pfizer Ltda.	Brazil
Laboratórios Pfizer, Lda.	Portugal
Laboratorios Wyeth LLC	Pennsylvania
Laboratorios Wyeth S.A.	Peru
Laboratorios Wyeth, S.A.	Venezuela

Lothian Developments V SPRL	Belgium
Meridian Medical Technologies Limited	United Kingdom
Meridian Medical Technologies, Inc.	Delaware
Minarik Limited	Ireland
Monarch Pharmaceuticals, Inc.	Tennessee
MPP Trustee Limited	United Kingdom
MTG Divestitures LLC	Delaware
Neusentis Limited	United Kingdom
NextWave Pharmaceuticals Incorporated	Delaware
Nordic Sales Group AS	Norway
O.C.T. (Thailand) Ltd.	Thailand
PAH USA IN8 LLC	Delaware
Parke Davis Limited	Hong Kong
Parke Davis Productos Farmaceuticos Lda	Portugal
Parke, Davis & Company LLC	Michigan
Parkedale Pharmaceuticals, Inc.	Michigan
Parke-Davis Manufacturing Corp.	Delaware
P-D Co., LLC	Delaware
Peak Enterprises LLC	Delaware
PF Americas Holding C.V.	Netherlands
PF Asia Manufacturing Coöperatief U.A.	Netherlands
PF PR Holdings C.V.	Netherlands
PF PRISM C.V.	Netherlands
PF PRISM Holdings S.a.r.l.	Luxembourg
PF PRISM S.à.r.l.	Luxembourg
PFE Holdings G.K.	Japan
Pfizer (China) Research and Development Co. Ltd.	People's Republic of China
Pfizer (Far East) Limited	Hong Kong
Pfizer (H.K.) Holding Limited	Hong Kong
Pfizer (Malaysia) Sdn Bhd	Malaysia
Pfizer (Perth) Pty Limited	Australia
Pfizer (S.A.S.)	France
Pfizer (Thailand) Limited	Thailand
Pfizer (Wuhan) Research and Development Co. Ltd.	People's Republic of China
Pfizer AB	Sweden
Pfizer Africa & Middle East for Pharmaceuticals, Veterinarian Products & Chemicals S.A.E.	Egypt
Pfizer Afrique de L'Ouest	Senegal
Pfizer AG	Switzerland
Pfizer Animal Health MA EEIG	United Kingdom
Pfizer ApS	Denmark
Pfizer AS	Norway
Pfizer Asia Manufacturing Pte. Ltd.	Singapore
Pfizer Asia Pacific Pte Ltd.	Singapore
Pfizer AsiaPac Holdings SARL	Luxembourg
Pfizer Asset Management Luxembourg SARL	Luxembourg

Pfizer Atlantic Holdings S.a.r.l.	Luxembourg
Pfizer Australia Holdings B.V.	Netherlands
Pfizer Australia Holdings Pty Limited	Australia
Pfizer Australia Investments Pty. Ltd.	Australia
Pfizer Australia Pty Limited	Australia
Pfizer B.V.	Netherlands
Pfizer Baltic Holdings B.V.	Netherlands
Pfizer BH D.o.o.	Bosnia and Herzegovina
Pfizer Biofarmacêutica, Sociedade Unipessoal Lda	Portugal
Pfizer Biologics Ireland Holdings Limited	Ireland
Pfizer Biotech Corporation	Taiwan
Pfizer Biotechnology Ireland	Ireland
Pfizer Bolivia S.A.	Bolivia
Pfizer Business Enterprises C.V.	Netherlands
Pfizer Canada Inc.	Canada
Pfizer CentreSource Asia Pacific Pte. Ltd.	Singapore
Pfizer Chile S.A.	Chile
Pfizer Cia. Ltda.	Ecuador
Pfizer Colombia Spinco I LLC	Pennsylvania
Pfizer Commercial Holdings Coöperatief U.A.	Netherlands
Pfizer Consumer Healthcare AB	Sweden
Pfizer Consumer Healthcare GmbH	Germany
Pfizer Consumer Healthcare Ltd.	United Kingdom
Pfizer Consumer Manufacturing Italy S.r.l.	Italy
Pfizer Cork Limited	Ireland
Pfizer Corporation	Panama
Pfizer Corporation Austria Gesellschaft m.b.H.	Austria
Pfizer Corporation Hong Kong Limited	Hong Kong
Pfizer Costa Rica PFE, Sociedad de Responsabilidad Limitada	Costa Rica
Pfizer Croatia d.o.o.	Croatia
Pfizer Deutschland GmbH	Germany
Pfizer Development LP	United Kingdom
Pfizer Development Services (UK) Limited	United Kingdom
Pfizer Domestic Ventures Limited	Isle of Jersey
Pfizer Dominicana PFE, SRL	Dominican Republic
Pfizer Dominicana, S.A.	Dominican Republic
Pfizer East India B.V.	Netherlands
Pfizer Eastern Investments B.V.	Netherlands
Pfizer Egypt S.A.E.	Egypt
Pfizer Enterprise Holdings B.V.	Netherlands
Pfizer Enterprises LLC	Delaware
Pfizer Enterprises SARL	Luxembourg
Pfizer ESP Pty Ltd	Australia
Pfizer Europe Holdings SARL	Luxembourg
Pfizer Europe MA EEIG	United Kingdom
Pfizer Export AB	Sweden

Pfizer Export Company	Ireland
Pfizer Finance GmbH & Co. KG	Germany
Pfizer Finance International Holdings C.V.	Netherlands
Pfizer Finance Italy S.r.l.	Italy
Pfizer Finance Netherlands B.V.	Netherlands
Pfizer Finance Share Service (Dalian) Co., Ltd.	People's Republic of China
Pfizer Finance Verwaltungs GmbH	Germany
Pfizer Financial Services N.V./S.A.	Belgium
Pfizer France International Investments SAS	France
Pfizer Free Zone Panama PFE S. De R.L.	Panama
Pfizer Free Zone Panama, S. de R.L.	Panama
Pfizer GEP, S.L.	Spain
Pfizer Germany B.V. & Co. KG	Germany
Pfizer Germany Partner B.V.	Netherlands
Pfizer Global Holdings B.V.	Netherlands
Pfizer Global Supply	Ireland
Pfizer Global Supply Japan Inc.	Japan
Pfizer Global Trading	Ireland
Pfizer GmbH	Germany
Pfizer Group Luxembourg Sarl	Luxembourg
Pfizer Gulf FZ-LLC	United Arab Emirates
Pfizer H.C.P. Corporation	New York
Pfizer Health AB	Sweden
Pfizer Health Solutions Inc.	Delaware
Pfizer Healthcare Holdings Company Unlimited	Isle of Jersey
Pfizer Healthcare Ireland	Ireland
Pfizer Hellas, A.E.	Greece
Pfizer Himalaya Holdings Coöperatief U.A.	Netherlands
Pfizer HK Service Company Limited	Hong Kong
Pfizer Holding France (S.C.A.)	France
Pfizer Holding Ventures	Ireland
Pfizer Holdings Americas Corporation	Delaware
Pfizer Holdings Corporation	Delaware
Pfizer Holdings Europe	Ireland
Pfizer Holdings G.K.	Japan
Pfizer Holdings International Corporation	Delaware
Pfizer Holdings International Luxembourg (PHIL) Sarl	Luxembourg
Pfizer Holdings North America SARL	Luxembourg
Pfizer Holdings Turkey Limited	Isle of Jersey
Pfizer Holland Holdings B.V.	Netherlands
Pfizer Ilaclari Limited Sirketi	Turkey
Pfizer Innovations AB	Sweden
Pfizer International Business Europe	Ireland
Pfizer International LLC	New York
Pfizer International Markets Coöperatief U.A.	Netherlands
Pfizer International Operations (S.A.S.)	France

Pfizer International S. de R.L.	Panama
Pfizer International Sweden KB	Sweden
Pfizer International Trading (Shanghai) Limited	People's Republic of China
Pfizer Investment Capital	Ireland
Pfizer Investment Co. Ltd.	People's Republic of China
Pfizer Investment Holdings S.a.r.l.	Luxembourg
Pfizer Investments Netherlands B.V.	Netherlands
Pfizer Ireland Investments Limited	Ireland
Pfizer Ireland PFE Holding 1 LLC	Delaware
Pfizer Ireland PFE Holding 2 LLC	Delaware
Pfizer Ireland Pharmaceuticals	Ireland
Pfizer Ireland Ventures	Ireland
Pfizer Italia S.r.l.	Italy
Pfizer Italy Group Holding S.r.l.	Italy
Pfizer Japan Inc.	Japan
Pfizer Jersey Capital Limited	Isle of Jersey
Pfizer Jersey Company Limited	Isle of Jersey
Pfizer Jersey Finance Limited	Isle of Jersey
Pfizer Laboratories (Pty) Limited	South Africa
Pfizer Laboratories Limited	Kenya
Pfizer Leasing Ireland Limited	Ireland
Pfizer Leasing UK Limited	United Kingdom
Pfizer Limitada	Angola
Pfizer Limited	Tanzania
Pfizer Limited	Uganda
Pfizer Limited	United Kingdom
Pfizer Limited	India
Pfizer Limited	Taiwan
Pfizer LLC	Russia
Pfizer Luxco Holdings Sarl	Luxembourg
Pfizer Luxembourg Global Holdings SARL	Luxembourg
Pfizer Luxembourg International Sarl	Luxembourg
Pfizer Luxembourg SARL	Luxembourg
Pfizer Manufacturing Austria G.m.b.H.	Austria
Pfizer Manufacturing Belgium N.V.	Belgium
Pfizer Manufacturing Deutschland GmbH	Germany
Pfizer Manufacturing Deutschland Grundbesitz GmbH & Co. KG	Germany
Pfizer Manufacturing Deutschland PFE GmbH	Germany
Pfizer Manufacturing Holdings Coöperatief U.A.	Netherlands
Pfizer Manufacturing Holdings LLC	Delaware
Pfizer Manufacturing Ireland	Ireland
Pfizer Manufacturing LLC	Delaware
Pfizer Manufacturing Services	Ireland
Pfizer Medical Technology Group (Belgium) N.V.	Belgium
Pfizer Medicamentos Genericos e Participacoes Ltda.	Brazil
Pfizer Mexico Luxco SARL	Luxembourg

Pfizer Mexico, S.A. de C.V.	Mexico
Pfizer Middle East for Pharmaceuticals, Animal Health and Chemicals S.A.E.	Egypt
Pfizer New Zealand Limited	New Zealand
Pfizer North American Holdings Inc.	Delaware
Pfizer OTC B.V.	Netherlands
Pfizer Overseas LLC	Delaware
Pfizer Oy	Finland
Pfizer Pakistan Limited	Pakistan
Pfizer Parke Davis	Philippines
Pfizer Parke Davis (Thailand) Ltd.	Thailand
Pfizer Parke Davis Sdn. Bhd.	Malaysia
Pfizer PFE (Thailand) Limited	Thailand
Pfizer PFE ApS	Denmark
Pfizer PFE Argentina Holding B.V.	Netherlands
Pfizer PFE Argentina SRL	Argentina
Pfizer PFE AsiaPac Holding B.V.	Netherlands
Pfizer PFE Australia Holding B.V.	Netherlands
Pfizer PFE Australia Pty Ltd	Australia
Pfizer PFE Austria Gesellschaft m.b.H	Austria
Pfizer PFE Belgium SPRL	Belgium
Pfizer PFE Colombia Holding Corp.	Delaware
Pfizer PFE Colombia S.A.S	Colombia
Pfizer PFE Finland Oy	Finland
Pfizer PFE France	France
Pfizer PFE France Holdco 2 S.à r.l.	Luxembourg
Pfizer PFE France Holdco S.à r.l.	Luxembourg
Pfizer PFE Group Luxembourg S.à r.l.	Luxembourg
Pfizer PFE Hellas E.P.E.	Greece
Pfizer PFE Hong Kong Holding B.V.	Netherlands
Pfizer PFE İlaçları Anonim Şirketi	Turkey
Pfizer PFE Ireland 1 B.V.	Netherlands
Pfizer PFE Ireland 2 B.V.	Netherlands
Pfizer PFE Ireland Holdco S.à r.l.	Luxembourg
Pfizer PFE Ireland Pharmaceuticals Holding 1 Coöperatief U.A.	Netherlands
Pfizer PFE Ireland Pharmaceuticals Holding 2 Coöperatief U.A.	Netherlands
Pfizer PFE Italy Group Holding Coöperatief U.A.	Netherlands
Pfizer PFE Italy Holdco 2 S.à r.l.	Luxembourg
Pfizer PFE Italy Holdco S.à r.l.	Luxembourg
Pfizer PFE Luxembourg Holding 1 S.à r.l.	Luxembourg
Pfizer PFE Luxembourg Holding 2 S.à r.l.	Luxembourg
Pfizer PFE Luxembourg Holding 3 S.à r.l.	Luxembourg
Pfizer PFE Luxembourg Holding 4 S.à r.l.	Luxembourg
Pfizer PFE Luxembourg S.à r.l.	Luxembourg
Pfizer PFE Mexico Holding 1 B.V.	Netherlands
Pfizer PFE Mexico Holding 2 B.V.	Netherlands
Pfizer PFE Netherlands Holding 1 C.V.	Netherlands

Pfizer PFE New Zealand	New Zealand
Pfizer PFE New Zealand Holding B.V.	Netherlands
Pfizer PFE Peru S.R.L.	Peru
Pfizer PFE Pharmaceuticals Israel Holding LLC	Delaware
Pfizer PFE Pharmaceuticals Israel Ltd.	Israel
Pfizer PFE PHIL Holdco S.à r.l.	Luxembourg
Pfizer PFE Philippines Holding 1 B.V.	Netherlands
Pfizer PFE Philippines Holding 2 B.V.	Netherlands
Pfizer PFE PILSA Holdco S.à r.l.	Luxembourg
Pfizer PFE Poland Holding BV	Netherlands
Pfizer PFE Polska sp.z.o.o.	Poland
Pfizer PFE Spain B.V.	Netherlands
Pfizer PFE Spain Holding, S.L.	Spain
Pfizer PFE Switzerland GmbH	Switzerland
Pfizer PFE Trading Polska sp z.o.o.	Poland
Pfizer PFE UK Holding 1 B.V.	Netherlands
Pfizer PFE US Holdings 1 LLC	Delaware
Pfizer PFE US Holdings 2 LLC	Delaware
Pfizer PGM (S.A.S.)	France
Pfizer PGRD (S.A.S.)	France
Pfizer Pharm Algerie	Algeria
Pfizer Pharma GmbH	Germany
Pfizer Pharma PFE GmbH	Germany
Pfizer Pharmaceutical (Wuxi) Co., Ltd.	People's Republic of China
Pfizer Pharmaceutical Trading Limited Liability Company (a/k/a Pfizer Kft. or Pfizer LLC)	Hungary
Pfizer Pharmaceuticals B.V.	Netherlands
Pfizer Pharmaceuticals Global Coöperatief U.A.	Netherlands
Pfizer Pharmaceuticals Israel Ltd.	Israel
Pfizer Pharmaceuticals Korea Limited	Republic of Korea
Pfizer Pharmaceuticals Limited	Cayman Islands
Pfizer Pharmaceuticals LLC	Delaware
Pfizer Pharmaceuticals Ltd.	People's Republic of China
Pfizer Pharmaceuticals Tunisie Sarl	Tunisia
Pfizer Philippines Holdings B.V.	Netherlands
Pfizer Pigments Inc.	Delaware
Pfizer Polska Sp. z.o.o.	Poland
Pfizer Precision Holdings SARL	Luxembourg
Pfizer Prev - Sociedade de Previdencia Privada	Brazil
Pfizer Private Limited	Singapore
Pfizer Production LLC	Delaware
Pfizer Products Inc.	Connecticut
Pfizer Products India Private Limited	India
Pfizer Romania SRL	Romania
Pfizer S.A.	Peru
Pfizer S.A. (Belgium)	Belgium

Pfizer S.A.S.	Colombia
Pfizer S.G.P.S. Lda.	Portugal
Pfizer S.r.l.	Italy
Pfizer S.R.L.	Argentina
Pfizer Saidal Manufacturing	Algeria
Pfizer Santé Familiale SAS	France
Pfizer Saudi Limited	Saudi Arabia
Pfizer Searle Investment Limited	Isle of Jersey
Pfizer Seiyaku K.K.	Japan
Pfizer Service Company BVBA	Belgium
Pfizer Service Company Ireland	Ireland
Pfizer Services 1 (S.N.C.)	France
Pfizer Services 4 (S.N.C.)	France
Pfizer Services LLC	Delaware
Pfizer Shared Services	Ireland
Pfizer Shareholdings Intermediate SARL	Luxembourg
Pfizer Shareholdings Luxembourg SARL	Luxembourg
Pfizer Singapore Trading Pte. Ltd.	Singapore
Pfizer Spain Holdings Coöperatief U.A.	Netherlands
Pfizer Specialities Ghana	Ghana
Pfizer Specialties Limited	Nigeria
Pfizer Specialty UK Limited	United Kingdom
Pfizer Strategic Investment Company Limited	Isle of Jersey
Pfizer Sweden Holding B.V.	Netherlands
Pfizer Sweden Partnership KB	Sweden
Pfizer Trading Polska sp.z.o.o.	Poland
Pfizer Transactions Ireland	Ireland
Pfizer Transactions LLC	Delaware
Pfizer Transactions Luxembourg SARL	Luxembourg
Pfizer Transport LLC	Delaware
Pfizer Tunisie SA	Tunisia
Pfizer Ukraine LLC	Ukraine
Pfizer Vaccines LLC	Delaware
Pfizer Venezuela, S.A.	Venezuela
Pfizer Ventures LLC	Delaware
Pfizer Warner Lambert Luxembourg SARL	Luxembourg
Pfizer Zona Franca PFE Holding LLC	Delaware
Pfizer Zona Franca, S.A.	Costa Rica
Pfizer, Inc.	Philippines
Pfizer, S.A.	Costa Rica
Pfizer, S.A. de C.V.	Mexico
Pfizer, S.L.	Spain
Pfizer, spol. s r.o.	Czech Republic
Pharmacia & Upjohn Company LLC	Delaware
Pharmacia & Upjohn Company, Inc.	Delaware
Pharmacia & Upjohn LLC	Delaware

Pharmacia & Upjohn, S.A. de C.V.	Mexico
Pharmacia Brasil Ltda.	Brazil
Pharmacia GmbH	Germany
Pharmacia Hepar LLC	Delaware
Pharmacia Holding AB	Sweden
Pharmacia Inter-American LLC	Pennsylvania
Pharmacia International B.V.	Netherlands
Pharmacia International Inc.	South Dakota
Pharmacia Laboratories Limited	United Kingdom
Pharmacia Limited	United Kingdom
Pharmacia LLC	Delaware
Pharmacia Nostrum, S.A.	Spain
Pharmacia South Africa (Pty) Ltd	South Africa
PHIVCO Corp.	Delaware
PHIVCO Holdco S.à r.l.	Luxembourg
PHIVCO Luxembourg SARL	Luxembourg
PN Mexico LLC	Delaware
PowderJect Research Limited	United Kingdom
PowderJect Vaccines, Inc.	Delaware
PowderMed Limited	United Kingdom
PowderMed, Inc.	Delaware
Productos Farmaceuticos PFE Bolivia S.A.	Bolivia
PT. Pfizer Parke Davis	Indonesia
PT. Pfizer Indonesia	Indonesia
Purepac Pharmaceutical Holdings, Inc.	Delaware
PZR Ltd.	United Kingdom
PZR Property Limited	United Kingdom
RedVax GmbH	Switzerland
Renrall LLC	Wyoming
Rinat Neuroscience Corp.	Delaware
Rivepar (S.A.S.)	France
RMV Produtos Veterinarios Ltda.	Brazil
Roerig Produtos Farmaceuticos, Lda.	Portugal
Roerig S.A.	Chile
Roerig, S.A.	Venezuela
Sao Cristovao Participacoes Ltda.	Brazil
Searle Laboratorios, Lda.	Portugal
Servicios P&U, S. de R.L. de C.V.	Mexico
Sherama Limited	Ireland
Shiley LLC	California
Sinergis Farma-Produtos Farmaceuticos, Lda.	Portugal
Site Realty, Inc.	Delaware
Solinor LLC	Delaware
Soumillon Limited	Ireland
Sugen, Inc.	Delaware
Tabor LLC	Delaware

The Pfizer Incubator LLC	Delaware
Thiakis Limited	United Kingdom
Trans Europe Teal Dublin Limited	Ireland
Upjohn Laboratorios Lda.	Portugal
US Oral Pharmaceuticals Pty Ltd	Australia
Vermont Whey Company	Vermont
Vesterålens Naturprodukter A/S	Denmark
Vesterålens Naturprodukter AB	Sweden
Vesterålens Naturprodukter AS	Norway
Vesterålens Naturprodukter OY	Finland
Vicuron Holdings LLC	Delaware
Vicuron Pharmaceuticals Italy S.r.l.	Italy
Vinci Farma, S.A.	Spain
Warner Lambert del Uruguay S.A.	Uruguay
Warner Lambert Ilac Sanayi ve Ticaret Limited Sirketi	Turkey
Warner-Lambert (Tanzania), Limited	Tanzania
Warner-Lambert (Thailand) Limited	Thailand
Warner-Lambert Company AG	Switzerland
Warner-Lambert Company LLC	Delaware
Warner-Lambert Guatemala, Sociedad Anonima	Guatemala
Warner-Lambert, S.A.	Delaware
Whitehall International Inc.	New York
Whitehall Laboratories Inc.	Delaware
W-L LLC	Delaware
Wyeth (Asia) Limited	Delaware
Wyeth (Far East) Limited	Hong Kong
Wyeth (Thailand) Ltd.	Thailand
Wyeth AB	Sweden
Wyeth Advertising Inc.	New York
Wyeth Australia Pty. Limited	Australia
Wyeth Ayerst Inc.	Delaware
Wyeth Ayerst SARL	Luxembourg
Wyeth Canada ULC	Canada
Wyeth Consumer Healthcare LLC	Pennsylvania
Wyeth Europa Limited	United Kingdom
Wyeth Farma, S.A.	Spain
Wyeth Holdings LLC	Maine
Wyeth Industria Farmaceutica Ltda.	Brazil
Wyeth KFT.	Hungary
Wyeth Lederle S.r.l.	Italy
Wyeth Lederle Vaccines S.A.	Belgium
Wyeth LLC	Delaware
Wyeth Pakistan Limited	Pakistan
Wyeth Pharmaceutical Co., Ltd.	People's Republic of China
Wyeth Pharmaceuticals Company	Puerto Rico
Wyeth Pharmaceuticals FZ-LLC	United Arab Emirates

Wyeth Pharmaceuticals Inc.	Delaware
Wyeth Pharmaceuticals India Private Limited	India
Wyeth Pharmaceuticals Limited	Ireland
Wyeth Prev-Sociedade de Previdencia Privada	Brazil
Wyeth Puerto Rico, Inc.	Puerto Rico
Wyeth Subsidiary Illinois Corporation	Illinois
Wyeth Whitehall Export GmbH	Austria
Wyeth Whitehall SARL	Luxembourg
Wyeth-Ayerst (Asia) Limited	Delaware
Wyeth-Ayerst International LLC	Delaware
Wyeth-Ayerst Promotions Limited	Delaware
Yusafarm D.O.O.	Serbia

Exhibit 23

Consent of Independent Registered Public Accounting Firm

To the Board of Directors and the Shareholders of Pfizer Inc.:

We consent to the incorporation by reference in this 2014 Annual Report on Form 10-K of Pfizer Inc. of our reports dated February 27, 2015, with respect to the consolidated balance sheets of Pfizer Inc. and Subsidiary Companies as of December 31, 2014 and 2013, and the related consolidated statements of income, comprehensive income, equity and cash flows for each of the years in the three-year period ended December 31, 2014, and the effectiveness of internal control over financial reporting as of December 31, 2014, which reports appear in the 2014 Annual Report on Form 10-K of Pfizer Inc. and Subsidiary Companies.

We also consent to the incorporation by reference of our reports in the following Registration Statements:

-Form S-8 dated October 27, 1983 (File No. 2-87473),
-Form S-8 dated March 22, 1990 (File No. 33-34139),
-Form S-8 dated January 24, 1991 (File No. 33-38708),
-Form S-8 dated November 18, 1991 (File No. 33-44053),
-Form S-8 dated May 27, 1993 (File No. 33-49631),
-Form S-8 dated May 19, 1994 (File No. 33-53713),
-Form S-8 dated October 5, 1994 (File No. 33-55771),
-Form S-8 dated December 20, 1994 (File No. 33-56979),
-Form S-8 dated March 29, 1996 (File No. 333-02061),
-Form S-8 dated September 25, 1997 (File No. 333-36371),
-Form S-8 dated April 24, 1998 (File No. 333-50899),
-Form S-8 dated April 22, 1999 (File No. 333-76839),
-Form S-8 dated June 19, 2000 (File No. 333-39610),
-Form S-8 dated June 19, 2000 (File No. 333-39606),
-Form S-8 dated April 27, 2001 (File No. 333-59660),
-Form S-8 dated April 27, 2001 (File No. 333-59654),
-Form S-8 dated April 16, 2003 (File No. 333-104581),
-Form S-8 dated April 16, 2003 (File No. 333-104582),
-Form S-8 dated November 18, 2003 (File No. 333-110571),
-Form S-8 dated December 18, 2003 (File No. 333-111333),
-Form S-8 dated April 26, 2004 (File No. 333-114852),
-Form S-8 dated March 1, 2007 (File No. 333-140987),
-Form S-4 dated March 27, 2009 (File No. 333-158237),
-Form S-8 dated October 16, 2009 (File No. 333-162519),
-Form S-8 dated October 16, 2009 (File No. 333-162520),
-Form S-8 dated October 16, 2009 (File No. 333-162521),
-Form S-8 dated March 1, 2010 (File No. 333-165121), and
-Form S-3 dated May 10, 2012 (File No. 333-181321).

/s/ KPMG LLP
New York, New York
February 27, 2015

Exhibit 31.1

Certification by the Chief Executive Officer Pursuant to
Section 302 of the Sarbanes-Oxley Act of 2002

I, Ian C. Read, certify that:

1. I have reviewed this report on Form 10-K of Pfizer Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 27, 2015

/s/ IAN C. READ
Ian C. Read
Chairman and Chief Executive Officer

Exhibit 31.2

Certification by the Chief Financial Officer Pursuant to
Section 302 of the Sarbanes-Oxley Act of 2002

I, Frank A. D'Amelio, certify that:

1. I have reviewed this report on Form 10-K of Pfizer Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 27, 2015

/s/ FRANK A. D'AMELIO
Frank A. D'Amelio
Executive Vice President, Business Operations and Chief Financial Officer

Exhibit 32.1

Certification by the Chief Executive Officer Pursuant to 18 U. S. C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

Pursuant to 18 U. S. C. Section 1350, I, Ian C. Read, hereby certify that, to the best of my knowledge, the Annual Report on Form 10-K of Pfizer Inc. for the year ended December 31, 2014 (the "Report") fully complies with the requirements of Section 13(a) or Section 15(d) of the Securities Exchange Act of 1934, and that the information contained in that Report fairly presents, in all material respects, the financial condition and results of operations of Pfizer Inc.

/s/ IAN C. READ
Ian C. Read
Chairman and Chief Executive Officer

February 27, 2015

This certification accompanies this Annual Report on Form 10-K pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 and shall not, except to the extent required by such Act, be deemed filed by the Company for purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). Such certification will not be deemed to be incorporated by reference into any filing under the Securities Act of 1933, as amended, or the Exchange Act, except to the extent that the Company specifically incorporates it by reference.

Exhibit 32.2

Certification by the Chief Financial Officer Pursuant to 18 U. S. C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

Pursuant to 18 U. S. C. Section 1350, I, Frank A. D'Amelio, hereby certify that, to the best of my knowledge, the Annual Report on Form 10-K of Pfizer Inc. for the year ended December 31, 2014 (the "Report") fully complies with the requirements of Section 13(a) or Section 15(d) of the Securities Exchange Act of 1934, and that the information contained in that Report fairly presents, in all material respects, the financial condition and results of operations of Pfizer Inc.

/s/ FRANK A. D'AMELIO
Frank A. D'Amelio
Executive Vice President, Business Operations and
Chief Financial Officer

February 27, 2015

This certification accompanies this Annual Report on Form 10-K pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 and shall not, except to the extent required by such Act, be deemed filed by the Company for purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). Such certification will not be deemed to be incorporated by reference into any filing under the Securities Act of 1933, as amended, or the Exchange Act, except to the extent that the Company specifically incorporates it by reference.